

THE

ROUND TABLE

A Quarterly Review of

BRITISH

COMMONWEALTH

AFFAIRS

Contents of Number 165

MR. CHURCHILL'S RETURN

LIAQAT ALI KHAN

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A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

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MR. CHURCHILL'S RETURN

FOREIGN POLICY AND THE NEW GOVERNMENT

"WHAT we call the 'spirit' of politics", wrote Walter Bagehot, "is more surely changed by a change of generation than by any other change whatever." The general election of 1951, regarded as an expression of public opinion, is perhaps less significant as a judgment upon the immediate political controversies than as a definition of the character and allegiances of the particular body of voters who are now the ultimate authority in government. They are a new generation, who overlap the survivors of those who returned, say, the famous Liberal Parliament of 1906 to the very small degree that is sufficiently suggested by the six seats the remnant of the Liberal party has retained in the new House of Commons. Undoubtedly the election of 1945, held at the height of the reaction against the war-time régime and in the general eagerness to have new things for their own sake, much exaggerated the permanent hold of Socialism upon this voting generation. On the other hand, the latest result may have closely defined the limits of the Conservative appeal. The Conservatives could scarcely have fought upon more favourable ground; perhaps it would be more exact to say that they could not have found their opponents in a position more vulnerable to attack. The Labour Government had suffered two staggering humiliations in foreign affairs, just at the moment when the rising tide of inflation was threatening to engulf the standard of living of the working classes and sap the real value of the social services for which the Labour party had habitually claimed the sole credit. If the Conservatives are to enlarge their following among the present voters, they can scarcely hope to do so by catching their adversaries at a greater disadvantage, but must rely upon enhancing their reputation by their positive record in office, which is a very unusual thing for any Government to achieve. Yet with everything in their favour at the polls, the result is to show the total votes of Labour and Conservatism almost exactly equal; indeed, even making the fullest possible allowance for unopposed returns, there seems still to be a small preponderance on the Socialist side. There have naturally been many expressions of surprise—and on the Conservative side of disappointment—that the pendulum has not appreciably swung. The plain fact seems to be that it swung in 1950 practically as far as it was capable of swinging. The Conservatives are now apparently brought up against the hard core of orthodox trade unionists, who hold the fixed opinion that the Tories are the bosses' party and the bosses are the natural adversary. There may be little hope of modifying the attitude of this phalanx until the passage of time changes the composition of the electorate itself.

Nevertheless Conservatism is in power; and, small as the government majority is, the experience of the last Parliament suggests that it is large

enough, especially with the Liberal group in their present benevolent mood, to sustain a stable administration for several years.

Many foreign observers have read into the result the prospect of a return to a strong, that is an authoritarian, imperial policy. They have misunderstood the prevailing temper of thought upon this question; the difference between parties is now not so much in policy as in the language they use about it. The Conservatives agree with Labour, not only upon self-government as the goal for all dependencies, but for the most part even about the pace at which it is to be reached; of this there is evidence in the pronouncement of the new Government concerning the Sudan. Labour has recognized as benevolent economic development much of what was formerly denounced as exploitation. The main difference now is that Conservatives see the policy of welfare and emancipation as the consistent fulfilment of that mission of Empire which Socialists, accustomed to thinking of "imperialism" as a term of reproach, suppose to have been reversed.

Persia, Egypt and the Voters

THE Conservatives will enhance their moral authority if they can bring home to the people the significance of the acclamation with which almost the whole of the free world has hailed the return of Mr. Churchill to the direction of the nation's business. It may not be easy; for the connexion between home and foreign affairs, never clear in the popular mind, was made no more prominent than usual in the election. It is quite a mistake to suppose that the overthrow of the Labour Government means a vote of censure by the electorate on Mr. Morrison's mishandling of the national interests in the Middle East. No doubt when the public-opinion pollsters got to work in the comparatively academic atmosphere of discussion before the campaign began, the injuries to British pride at Abadan and Suez influenced the answers which led them to estimate the Conservative advantage at 10 per cent or more of the electorate—which would have meant a majority of over a hundred parliamentary seats. But as the day of decision approached, the mind of the voters became, as always, more and more concentrated upon domestic issues; the effect of the cessation of Persian oil supplies had not yet begun to be felt, and even in Lancashire the relevance of Egyptian cotton was no longer appreciated as the relevance of American cotton was appreciated by the smaller electorate of the 'sixties. In fact the only issue of foreign policy which really affected votes influenced the result in precisely the opposite sense to that which foreign critics have attributed to it. That was the dishonest but effective denunciation of Mr. Churchill as a warmonger. The charge hardly needs serious confutation, even without Mr. Churchill's dignified rebuke to his traducers, delivered at Plymouth on the eve of the poll, when it was too late to be very effective. But there is no doubt that the mud stuck. An indication of the way it acted upon the minds of a people oppressed with the possibility of a third world war may be gained by contrasting the successes of the Conservatives in industrial towns like Bradford and Nottingham, which suffered little in the last war, with their failure to

make any real impression in Liverpool and London, which were principal targets of the German bombing.

Yet although the popular vote cannot be interpreted as a call for a stronger foreign policy, that, with Mr. Churchill and Mr. Eden in control, can scarcely fail to be the consequence. In the Middle East, at any rate, it is inconceivable that the policy of the new Government should be weaker, for their predecessors have left a diplomatic void. This at least gives the opportunity for something like a fresh start in rebuilding the traditional British influence in a region so long recognized as vital to the very existence of the Commonwealth. And in the firm but unprovocative speech of Mr. Eden in opening the foreign-policy debate in the House of Commons on November 19 there is evidence that a determined effort to fill the void will be made.

The Foreign Secretary made it perfectly clear that the starting-point of all civilized international relations must remain, as it has always been, an insistence on the binding character of agreements freely negotiated. Whether the signature has been affixed to a long-term contract with a commercial company in Persia, or to a twenty-year treaty of alliance in Egypt, this country is bound to deny all validity to a unilateral repudiation. To do less is not merely to surrender our own rights: it is to lower the established standard of international honour and dilute the authority of international law. That principle having been reaffirmed as indispensable, there is every reason to go on and show a conciliatory spirit, and the great patience that will certainly be required, in trying to reach by agreement the revisions of treaties and contracts which are required to meet the changed circumstances and the changed sentiments of the Middle Eastern peoples. This country, which has successfully adapted imperial institutions to the rise of Asiatic nationalism within the Commonwealth, cannot permanently fail in its dealings with the corresponding sentiment outside. The right of the Persian state, if it so desires, to acquire the ownership of the oil deposits within its frontiers must be conceded; so also must the ambition of the Egyptians to deal as a sovereign nation with their own defence. The task for British diplomacy is to convince both peoples that these legitimate claims can be reconciled with the honourable discharge of the obligations they have contracted to others. It is likely to be difficult, because it calls for the continuous exercise of calm reason, perhaps for a long time, in the face of heated and irrational passions. But many who know the Middle East would say from their experience that the kind of frenzy which has lately run riot in both Persia and Egypt is not likely to be of long duration. And when tempers cool the unchanged facts of the situation must be rediscovered, which show that it is to the self-interest of both Persia and Egypt to come to terms, if not with Great Britain in isolation, at least with the associated free nations of the West. Dr. Mossadeq, returning with cold comfort from Washington, has found the economy of his country threatened with speedy disruption unless the flow of oil from Abadan, and the corresponding flow of foreign currency in payment for it, can be restored. He has to be convinced that this can be done without compromise of the national dignity he has proclaimed; but only by properly negotiated terms which secure not only a

just settlement of the compensation due to the expropriated company but also guarantees that the industry, from the extraction of the oil to its exportation, will be conducted with an efficiency to command the confidence of the world that has need of it. Egypt likewise has to be persuaded that the acute interest of the Western Powers in the integrity of her territory and the line of communication that runs through it coincides with her interest in her own safety, and can be satisfied, if she will but co-operate on equal terms, without any suggestion or desire of reducing her to a vassal status. It is possible that in both countries these truths may have to be asserted by the renewal of offers which have already been flatly rejected, but of which the inherent reasonableness may yet be recognized in a calmer hour.

The Middle Eastern Background

THE immediate aim in Egypt must be to set in the place of the Anglo-Egyptian treaty of 1936 a multilateral pact in which Egypt shall be satisfied with her position as an equal partner with the European and American Powers which are concerned to maintain her independence and her friendship. The immediate aim in Persia must be to restore the traffic in oil between her ports and—in the main—the same Western nations, the resumption of that trade being as indispensable to the economic existence of the Persian people as it is to the prosperity of Western industries and the strength of Western navies. But the larger objective, without which these specific aims will not be achieved, is the re-establishment of mutual trust between these two ancient Eastern kingdoms and the Western Powers; and this is likely to be accomplished only in the context of a great revival of co-operation between these Powers and the Middle East as a whole. An article elsewhere in this issue discusses the present state of feeling in the Muslim states, new and old, concerning the international associations they have lately been persuaded to contract. It is undeniable that obstinate suspicions of Western motives have been generated. There is resentment of what seems to many the arbitrary assumption that these states must take sides in the bitter division of most of the world into implacably opposed camps. Arab hostility to the establishment of the Republic of Israel continues to show the fervour of high moral indignation, condemning alike Great Britain for renouncing the Palestinian mandate and the United States for alleged surrender of its foreign policy to Jewish pressure groups at home. Strange as it may sound to Western ears, Arab orators compare their position against Israel to that of the British defiance of overwhelming armed power in 1940.

These emotions have seriously impaired the atmosphere in which diplomacy has now to approach the Middle East. It is all the more necessary to display by positive action the real benevolence towards the Arab and Persian peoples, and the real sympathy with their national aspirations, which is associated with the undeniable self-interest of the West in the stability of the region. Proof of friendship must be demonstrated by coming to the support of the East in two distinct aspects. The first is military defence. The new Middle Eastern Command has to be vigorously organized,

and at the same time justified from two points of view. It must be shown to be necessary, since any hope that the Middle Eastern States can maintain a permanent neutrality between the Communist and anti-Communist worlds is a dangerous illusion; and at the same time the suspicion has to be removed that it is a threat to the independence of these States, which are in fact invited to become equal partners in the Command.

Secondly, it is essential that the West shall dedicate all its available strength to assist the economic development of the Middle Eastern countries, now passing through a crisis of adaptation. This also is closely related to the question of defence; for the poverty of the masses of the people over the greater part of the region provides the soil upon which the hostile forces of Communism will operate with disastrous force if the present barriers go down. For that reason it is to the manifest interest of the present governments to accept Western economic co-operation. It goes without saying that here, as elsewhere in the world, the material resources of help can be predominantly supplied only by the United States. But America is a new-comer to North Africa and Western Asia. The long experience of their needs and problems has been stored up by Great Britain, and even in the present ferment of anti-foreign agitation there may survive the sense that the English were always the most understanding of the Feringhi and are still the least objectionable. It is for the new Government, asserting the authority that the names of its chiefs command in international affairs, and using the services of many Englishmen who have intimate knowledge of Asia, to revive, over against the present temporary tumult, the abiding sense that the British Commonwealth of Nations is in the long run the most tried and trustworthy friend to Islam and the peoples of the Middle East.

LIAQAT ALI KHAN

FOUR personalities have towered above the rest in the history of the Indo-Pakistani sub-continent since it acquired its freedom and split into two separate States on August 15, 1947—Gandhi, Jinnah, Nehru and Liaqat Ali Khan. Liaqat Ali Khan had not that touch of *charisma* which distinguished the other three; he did not appear to be one of the Lord's anointed, if only because he seemed to be too practical and level-headed, in a word, too normal a person, to rank among those who are destined to make history or to win the martyr's crown. Yet, by virtue of sheer solid achievement, packed into the space of four testing critical years, he takes his honoured place among the great ones.

Si monumentum requiris. . . . Pakistan is his memorial and stands for all to see. Four years ago the world as a whole was inclined to regard her as a figment of Jinnah's brain, an artificial creation of dubious survival value. Her most priceless asset was a final Court of Appeal in the person of the Qaid-e-Azam himself, a leader above criticism who, in the last resort, could always be relied on to hold the structure together. When Jinnah was removed by the hand of death in September 1948 it was doubted whether Liaqat Ali Khan, admirable as he had proved himself in the capacity of a lieutenant, was a big enough man to take over the helm. Three years have passed: three years in which Liaqat Ali Khan's leadership has carried Pakistan through difficulty and crisis to the achievement of a degree of political stability remarkable for a newly formed Eastern State—of economic prosperity beyond her own rosiest dreams, and of an honoured place in the affairs of nations. To more than any other single individual the credit for this belongs to the man who fell to an assassin's bullet on October 16. It was a record of successful accomplishment the like of which few modern statesmen could boast.

It was in the sphere of international relations that Liaqat Ali Khan found himself most severely tested and incurred the most serious opposition and criticism within his own country. The ideological basis of Pakistan was still, in the early years, the subject of controversy, and it was this which must serve as the background for Pakistan's foreign policy. Liaqat Ali Khan was faced with the difficult problem of reconciling Islamic affiliations and sentiment with the practical needs of a young country, occupying an important strategic position but materially weak and menaced by unfriendly neighbours. He himself was modern in outlook and Western in sympathy, although he remained throughout a good Muslim and died repeating the *Kalima*. It is not too much to say that he had worked out a very satisfactory synthesis in his own mind and that, fundamentally, his main task was to produce the same in his people. If he did not succeed, it was because he was not granted the time; but it was evident to those who have watched the gradual shaping of Pakistan's ideological status during the past four years that he was slowly but surely leading public opinion along the right line.

The Objectives Resolution, the only part of the new Constitution so far adopted, was a truly admirable piece of work, designed with consummate skill to satisfy both the most ardent Muslims and the most apprehensive members of the minority communities. Liaqat Ali Khan was by no means finished with the *mullahs*, but a good start had been made.

In his actual handling of the problems of foreign relations, Liaqat Ali Khan's career seems to fall into two distinct periods, with the Commonwealth Prime Ministers' Conference of May 1949 as the dividing line. It is important to remember that, throughout, Kashmir has been the lodestar of Pakistan's foreign policy. Her prime object has been, and is, to secure the recognition of the world to Pakistan's moral right—for of this every Pakistani has been unalterably convinced from the outset—not, indeed, to secure the accession of Kashmir to Pakistan, but to secure a fair plebiscite which would decide whether Kashmir is to accede to India or to Pakistan. In her early days Pakistan, under the leadership of Jinnah and Liaqat Ali Khan, both of whom were firm believers in the value of the Commonwealth and were genuinely anxious to be good members of that great association of nations, looked with confidence, almost indeed with the innocence of a child unused to the harsh ways of the world, towards Britain and her other fellow members of the Commonwealth, and towards the free nations of the world. Delays and ineffectiveness in the Councils of the United Nations soon produced disillusionment, and this culminated in bitter disappointment at the results of the Conference of May 1949 when India was permitted to remain within the Commonwealth while adopting republican status. Pakistanis generally became convinced that power politics dominated the international scene, and that only lip service was done to the principles of justice and fair play.

At this stage Liaqat Ali Khan seems to have pulled his chair up to the table, called for his counters, and decided to take a hand in the poker game. Declaring that the Commonwealth must not take Pakistan for granted or treat her as a mere camp follower, he deliberately set out to place Pakistan on the map. When Nehru was invited by President Truman to visit the States, Liaqat Ali Khan raised the stake by getting himself invited by the Kremlin to visit Russia. This earned him immense popularity in his own country and was regarded as a master stroke. Certainly it served the purpose of making the free world, which was then becoming acutely conscious of the Communist menace in the East, sit up and take notice. It also gained him an invitation to visit the United States of America. The visit was carried out, and he and the Begum both made an excellent impression, while the Russian invitation went into cold storage. This political manœuvring was possibly a shade crude, but it seemed to work.

Liaqat Ali Khan could have continued to gain a cheap popularity at home by a policy of playing off Russia against the United Kingdom and the United States of America and making a brave show of independence. He was, however, too sensible a man to fall a victim to the temptation of overdoing it. His next major move took place when he fluttered the diplomatic doves and focused the attention of the world on Pakistan by refusing to attend the Commonwealth Prime Ministers' Conference of January 1951 until it had

been agreed that the Kashmir dispute would be discussed there. This, once again, earned him wild applause at home. He then proceeded to gain a marked advantage over Mr. Nehru by his reasonable approach to the problem and his readiness to agree to the various alternative proposals put forward by the other Commonwealth Prime Ministers. From then on the British press was generally convinced of the justice of Pakistan's attitude towards the Kashmir dispute; at any rate, it could not be denied that it was Mr. Nehru, not Mr. Liaqat Ali Khan, who was standing in the way of a reasonable settlement. This was indeed a masterly achievement, and by it Liaqat Ali Khan gained new stature at home and abroad.

Relations between India and Pakistan were unfortunately destined to remain Liaqat Ali Khan's big unsolved problem. The people of Pakistan had almost lost patience and retained little faith in the United Nations. As the supreme advocate of patience and moderation, Liaqat Ali Khan not only incurred criticism but ran into danger. The military conspiracy which was unearthed in the early months of the year seems to have been partly the outcome of a feeling of frustration and a desire to resort to desperate measures for the solution of the Kashmir problem. Nothing stands more highly to Liaqat Ali Khan's credit than that he refused to gamble with the fate of his country by making some dramatic move or resorting to some desperate expedient. In point of fact, he had achieved greater progress towards a successful outcome of the Kashmir affair than most Pakistanis seemed to realize. By accepting, and showing full readiness to implement, all the successive solutions proposed by the various United Nations mediators and by the Commonwealth Prime Ministers, by offering repeatedly to submit all differences between his country and India to arbitration, he had proved to the world that Pakistan not only had a clear conscience and faith in the justice of her cause but stood for a peaceful and reasonable approach to this and all other international disputes.

Pakistan,
October, 1951.

THE YEARS OF LABOUR

/ A RETROSPECT OF SOCIALIST RULE

SIX years' experience of post-war politics and two general elections have made most of the stock explanations of Labour's sudden and sweeping victory in 1945 seem inadequate. It can no longer be dismissed as a natural swing of the pendulum, or attributed mainly to the superiority of Labour's electioneering machine, which during the war was more efficiently maintained than that of the Conservatives. It was certainly not due entirely to the picturesque excesses of Mr. Churchill's election speeches, which attempted, legitimately but misleadingly, to prove that the principles of his late Labour colleagues in the Coalition led inevitably to dictatorship. All these factors played their part, but it is now obvious that Labour's victory was due mainly to profound social and intellectual movements, which had been gathering momentum ever since the war started.

The Labour movement had become conscious of itself and of its power. To an unprecedented extent military operations had depended on the support of industry at home; the workers had enjoyed a degree of economic security and a prestige never known in the thirties; and, most important of all, large sections of them who had previously been exempted from income tax had been obliged to surrender part of their weekly pay to the Treasury. No taxation without representation is not merely a political cry, it is a law of politics. Those who contribute to the upkeep of the state will demand a share in the deciding of policy, and the belief had grown among the wage-earning classes that they had been defrauded of their proper influence on politics. To this was added the expectation, which war always encourages, and which was by no means confined to the Labour movement, that so great an upheaval must be followed by the birth of a new social order from which the evils most typical of the old would be banished.

The Labour party, which had never before enjoyed secure power, seemed to offer the best hope of a real and enduring change, and the distinguished posts successfully occupied by its leaders in the Coalition made it impossible to say that it was incapable of governing. In the new Parliament Labour had 393 seats, as compared with 166 in the old, while the Conservatives dropped from 358 to 159. The new Government's majority was sufficient to protect it against any immediate danger from the Opposition, but it was also sufficient to create the danger of internal rebellion, always greatest in a party secure from its official opponents. In addition to a leadership of proved administrative ability, it offered the country a programme more radical and doctrinally consistent than any which had been seriously considered in Britain since the time of the Chartists. The recipe for constitutional Socialism, worked out by a long process of trial and error since the beginning of the century, was that a democratically elected majority should acquire control, by the normal

processes of legislation, of all the nation's key industries and of its banking system. The Government therefore proposed to nationalize coal, transport, gas, electricity and steel, to put the Bank of England under state control and to reorganize air transport under state supervision. These measures were merely the inheritance of pre-war Socialism. All of them had appeared in one party manifesto after another. They had the status of a creed and they took their place in the party's programme as a matter of course and were in fact very little discussed during the election campaign. More important from the electoral point of view were Labour's commitments to carry out, with modifications of its own, the plans of the Coalition Government for establishing a comprehensive system of social security and preventing unemployment. But what was really decisive was the promise to keep in being the elaborate system of officially regulated prices and wages established during the war. This was to be done to keep the cost of living down and make the essentials of life available to the poorest citizen.

The Socialist philosophy of foreign and imperial relations was made up in Britain of many incompatible elements. Labour inherited the bias of Radicalism towards pacificism and against the Empire; it had acquired from Continental Socialism some of the crusading zeal of a revolutionary movement, and it had always shown some of the characteristics of Liberal imperialism, with its insistence on the importance of moral consistency in foreign policy and on the duty of assisting small Powers. In the years immediately before the war pacificism had begun to wilt from exposure to reality, and the causes of universal Socialism, universal democracy and small Powers had become suddenly identified with those of imperial defence. Hitler challenged the British Empire no less than he challenged the forces of democracy everywhere, and the Labour party found itself not only condemning Mr. Chamberlain as the friend of Fascism but also denouncing him as the betrayer of imperial interests. Although there were strong pacifist elements in the Labour party most of the Labour M.P.s returned in 1945 had been converted to the idea of power, and their traditional hostility to the Empire had flowered into the belief that it was the special mission of Socialism to lead it on the road to full self-government and economic justice. They saw Britain as the leader of social democracy in Europe, and had enough faith in the ideological character of international politics to suppose that the chances of agreement with Russia would be greater under Labour than under the Conservative party.

The Dogma of Nationalization

DURING its first five years of office the Government showed itself determined to carry out in detail the legislative programme on which it had been elected. Coal, the Bank of England, Cable and Wireless and transport were nationalized, an Act nationalizing iron and steel was placed on the statute book to await implementation after the election, the Health and Insurance Acts were passed, and the Trades Disputes Act, passed after the general strike of 1926 and considered by the Socialists as a reprisal, was repealed with triumphant ceremony. All this imposed an unprecedented burden on

Parliament, and the Government had frequent recourse to the guillotine in order to secure the passage of its measures within the prescribed time. All of them followed broadly similar lines. An industry was transferred from private ownership to the control of a statutory board, due compensation being paid to the former proprietors. Much of this legislation bore the marks of hasty preparation, and very often the time allotted to it in the committee stage was not sufficient to ensure detailed treatment and was largely absorbed by Government amendments incorporating ministerial second thoughts. As a consequence the particular conditions of each industry were seldom properly considered, and nationalization was interpreted in too rigid and uniform a spirit. When the first flush of enthusiasm died down many Socialists began to doubt whether the word meant so much as it appeared to mean. The mere transfer of an industry to a statutory body gives no more power to its workers and very little to consumers. Parliament, which is supposed to represent both, has even less control over statutory boards than it has over the day-to-day conduct of Ministers. For a long time questions regarding nationalized industries could not be put in the Commons because no one present was authorized to answer them. Control was centralized to a greater extent than it had been under private ownership, and this sometimes produced labour troubles, and often paralysed management.

How far these defects were responsible for the heavy losses recorded by nationalized industries is hard to say. Today coal production is painfully regaining the 1936-37 level, but it increased immediately after nationalization and it had been steadily declining throughout the war. The railways continued to be what they had always been, an economic liability and a strategic and social necessity. In practice the Bank of England had been bound closely to the Treasury for years, and its nationalization did nothing but remove the groundless fear of the Labour rank and file that the mysterious forces of finance might be employed to dethrone a people's government.

By 1948 it was beginning to be clear to many Government supporters and one or two Cabinet Ministers that nationalization merely equipped the Government with power to remodel industry. It did nothing in itself. They contented themselves with the reflection that the Government would be able to remove at leisure the deficiencies which experience had revealed. This would have been a very strong argument if the Government had had any leisure, or if nationalization could have been considered in abstraction from everything else. In fact, each successive Act produced immediate dislocation and only hypothetical advantages. These arguments were implicitly admitted when the Government postponed the nationalization of steel, an industry vital to defence, and at the time more prosperous than it had ever been. So much dissatisfaction was caused among the rank and file of the party at this decision, however, that the Government had to guarantee the passage of the Bill before Parliament was dissolved by passing an Act designed to reduce the delaying power of the House of Lords retroactively to one year. Rarely has there been a more blatant abuse of constitutional procedure in the interests of a faction. Eventually even the Government realized this, and inserted a clause providing that the Steel Bill should not come into effect

until a time at which it was certain that a new Parliament would have been elected. Nevertheless, the incident shows to what lengths the Labour party was willing to go in carrying out an electoral programme which bore little relation to the nation's immediate needs.

The Economic Siege

MEANTIME, there were plenty of real problems which urgently demanded the attention of Government and Parliament. The sudden withdrawal of Lend-Lease after the war revealed a Britain stripped of her oversea investments and wholly dependent on foreign aid. Before the end of 1945 the Government's most pressing anxieties were relieved by an American loan, but it had to contend throughout its entire period of office with an economic problem, the essentials of which never changed. The centre of economic gravity had shifted from the Old World to the New. The prices of the raw materials on which British industry depends had vastly increased. At home the Government was committed to a large programme of social security and to an expenditure on defence which was constantly increasing. In these circumstances its object was to reduce imports to the minimum and to increase exports in order to pay for them. It must do this, if possible, before the American loan was spent, and in the meantime it must save dollars. Its method of achieving these ends was to maintain strict import controls, to insist on the diversion of a high proportion of domestic production into foreign markets, and to see, by price control and rationing at home, that the essentials of life continued to be available to everybody. The nation had become accustomed to enormous taxation and public expenditure. In addition, Socialists had been brought up on a vulgarized version of Keynesian economics, which amounted to the simple faith that the cure for all economic ills was government spending. This theory contained some truth in the thirties when the world was suffering from a glut of primary products; but Lord Keynes had devoted most of his later life to preaching the need for compulsory saving as a means of preventing inflation when raw materials were scarce and the demand on labour high. Mr. Dalton, Labour's first Chancellor of the Exchequer, was an optimist who had taught economics at a time when the epoch-making discovery that money did not matter had just been made, and this was not the best qualification for his office at the time he assumed it. At first a substantial increase in production and exports, which disproved the theory that controls were an unqualified obstacle to efficiency, combined with the American loan to protect the country against the worst effects of the world economic crisis. In February 1947, however, an unduly severe winter, resulting in a coal and electricity failure and a stoppage in many industries, inflicted a serious set-back. Providence was not wholly responsible, since the strain on fuel and power was produced by a premature release of electrical appliances for sale to the public, a mistake which a Government of planners might have been expected to avoid. Throughout the year the Government never recovered from this sharp contact with elemental realities.

Soon another blow fell. In order to get the American loan the Government had been forced to pledge itself to work for that general restoration of free and multilateral trading for which, in modern times, the U.S.A. has consistently stood. In particular, it was obliged to undertake to make sterling freely convertible into other currencies by the summer of 1947. Britain owed considerable sums of sterling and it was certain that her creditors would demand payment in dollars. The Government saw the storm brewing, but action was postponed until much too late. The result was a run on sterling, followed by a plea to the Americans to release us from the convertibility clause, a boon which was granted in return for the renunciation of what little remained of the loan. In these circumstances it seemed surprising to many that the occasion of Mr. Dalton's withdrawal from the Government should have been an indiscretion which, though grave in itself, had nothing to do with the broad lines of his sanguine policy.

Meantime a new lease of life had been provided by the Marshall Plan for financing the recovery of western Europe. More solid comfort was also provided by the accession of Sir Stafford Cripps to the Treasury, where he introduced a more austere régime, reversing Mr. Dalton's cheap money policy, maintaining a stricter watch on government expenditure and, above all, rigorously controlling dollar imports. But the problem of bridging the gap between exports and imports remained. British prices were still too high for foreign buyers, and this is only another way of saying that the country was living above its income. When in July 1949 Sir Stafford Cripps devalued the pound he was only giving expression to undeniable realities. In future British goods would cost the American purchaser only half what they used to, while the American goods would cost the British consumer twice what they used to. This drastic expedient soon began to bear fruit in a colossal reduction of dollar imports into the sterling area and a substantial increase of sterling-area exports to dollar countries. Within a year the sterling area's dollar deficit had been abolished, and the old three-cornered pattern of trade, whereby Britain sold to other sterling countries, in return for which they financed Britain's dollar imports, seemed to be coming back. By this time, however, new factors were beginning to appear. The Korean war again stimulated the price of raw materials and prompted a rearmament programme which imposed a still heavier burden on the nation's finances. Sir Stafford had succeeded in stemming the inflationary tide, largely by enlisting the support of the trade unions in restraining wage increases; but before Labour's first period of office was over signs of impatience had already begun to appear, and the menace of a general stampede for higher wages loomed ahead. Such were the confused circumstances of domestic policy in which Labour appealed to the country in 1950.

Asia and the Commonwealth

IN its handling of imperial affairs the party started with a clearer idea of imperial responsibility than it had ever had before. During the war it learned that imperial problems were more intractable than it had supposed and that they

could not be solved simply by renouncing ill-gotten gains. Most Socialists believed, however, that if the Government frankly avowed its support for popular government and economic democracy it would command unprecedented confidence from the dependent peoples and would be able to lead them into full and equal partnership with the rest of the Commonwealth. What Labour had not counted on was the immense intensification of nationalism which had resulted from the war. Neither had it counted on an economic crisis which made it essential for Britain to economize on foreign commitments. Events moved faster than the Government had bargained for. In India all attempts to reach agreement between Hindus and Muslims broke down, and in 1947 the Government announced that it accepted the policy of partition, proposed to delegate the authority of the Imperial Government to two provisional assemblies in India and Pakistan, and would then withdraw from the country, leaving its peoples to work out their own futures. This was either the most courageous or the most foolhardy decision in the history of imperial policy. The decisive argument in favour of it was that the only alternative was to hold India down by force, which was physically impossible. Furthermore, Britain could not be accused of having merely abdicated responsibility. She had supplied the solution and she left the people of India to work it out. The transfer of power was accompanied by a violent outbreak of communal strife, and the British forces had to stand aside and watch; but the final result was that Pakistan chose to remain in the Commonwealth, and India, while repudiating the royal allegiance, continued for all practical purposes to be treated as a member. Burma, in which British rule was also brought to an end, became a republic.

Faced with the resumption of civil war in Palestine (made a thousand times more bitter by mass migrations of homeless Jews from Europe) the Government attempted ineffectually to restore order; and having in the process collected odium from both sides, and half the world, it surrendered the mandate to the United Nations and announced that Britain would not assist in imposing any settlement which was not equally acceptable to all parties. The terms of this surrender had about them a note of peevishness as well as despair, and they greatly undermined Britain's prestige throughout the Middle East.

The withdrawal of the British forces stationed in the Nile Delta, on the other hand, was only the fulfilment of an undertaking. The trouble was that it was postponed too long, and that as a result relations with Egypt were embittered, so that this too looked like surrender. To say that in its management of imperial affairs the Government had lost the initiative would be an understatement. It was bound to reduce its commitments, but it did not think out clearly the order in which this should be done. Had British forces been withdrawn from the Nile earlier they might have been employed to good effect in Palestine. As it was, the impression of a general abandonment of imperial responsibility was given.

Under Labour administration the conception of the Commonwealth underwent a radical change. The purely legal bonds uniting it had been steadily weakened for years, and the process reached its climax in an Act

which made British nationality derivative from citizenship of the United Kingdom or a Dominion instead of from allegiance to the Crown. When India continued to send delegates to imperial conferences and to participate in imperial preference it seemed as though the Commonwealth had lost its one definable quality. In fact, this was merely the continuation of a long process. The practical decision before the Government was whether or not it was desirable to maintain the kind of co-operation with India that had previously existed, and every strategic and economic argument was in favour of doing so. Here again, however, Labour was deferring to the inevitable, and the suggestion sometimes made that the Government was making a constructive contribution to the development of the Commonwealth was not true.

In the Colonies constitutional development proceeded apace along familiar lines, but the Government laid most emphasis on its policy of economic expansion to be accomplished by state investment. The most outstanding example of this, the ground-nuts scheme, was a conspicuous failure, and this obscured the moderate success of several less ambitious enterprises.

Foreign Policy of Ernest Bevin

FOR over five years the conduct of Labour's foreign policy was in the hands of a man who commanded, with only occasional exceptions, the full confidence of the Opposition. It is unnecessary to repeat the familiar and distressing story of international relations during Mr. Bevin's tenure of office. The hopes entertained by all parties that it would be easy to perpetuate the alliance with Russia were disappointed. It became clear that there was no chance of uniting Germany under a common inter-Allied administration, or of reaching agreement on conditions for the ending of occupation. The Soviet Government established régimes similar to her own in all the countries which fell under her influence, and showed herself ready to move into any vacuum created by the weakness of her neighbours or the vacillations of her former allies. Throughout the Far East she allied herself with the rising star of Asiatic nationalism, and in China was accepted as its champion. Throughout western Europe she maintained Communist movements to trouble the peace and impede the recovery of the democratic Powers. She had the strongest fully mobilized army in the world and seemed capable of overrunning Europe at will. In these circumstances the existence of the atomic bomb under American control, and of the immense potential military strength of the U.S.A., seemed to be the only obstacles in the way of a world domination as thorough as that to which Hitler had aspired.

Britain faced the Russian and American giants in a sadly diminished state. Her material weakness and that of her European neighbours made it hard for her to have an independent policy; but the gravest danger was the confusion inside the ranks of Labour not only about the nature of the Soviet Union but also about the nature of foreign policy itself. Mr. Bevin had to contend with a party composed largely of men who were pacifists by

temperament and tradition and who had been brought up to regard Russia with respect as the only example of practical Socialism in the world. He was never free from the threat of rebellion. Early in the life of the new Government a group, under the leadership of Mr. Crossman, demanded that Britain, in company with the Dominions and Western Europe, should form a close political and economic *bloc*, bound together by the ideals of Socialist democracy and committed to neutrality, or something like it, in their relations with Russia and the U.S.A. To the minds of doctrinaire Socialists the proposal had much to commend it. It could be urged that by trading with Europe and the Commonwealth Britain could reduce her dependence on dollar imports, and that by remaining uncommitted to Russia or the U.S.A. she could help to keep the peace. Mr. Bevin's achievement was to lead a party in which these views were prevalent at the time of the 1945 election into a close partnership with the U.S.A. in resistance to Soviet expansion. There was nothing particularly subtle about his policy. He believed that the clear issue was whether or not Britain and Europe should submit to Russian domination, and when he failed to achieve agreement with Russia he threw himself wholeheartedly into building up a vast alliance under American leadership for the defence of what remained of the free world, and to provide a basis from which negotiations with the Soviet Union might take place. Confronted with the choice between Russia and the U.S.A. he chose the U.S.A.

Yet in so doing he did not lose sight of distinctively Commonwealth interests. To the superficial observer it seemed that British policy during this period consisted in doing each day, with much noise and flourish, what America had done the day before. But it is in the nature of the things that America did the day before that we must look for the evidence of British influence. In particular, Mr. Bevin was resolved to keep open what links he could with the satellite countries and with the peoples of Asia, and he often succeeded in preventing the U.S.A. from taking action which would have irrevocably divided the world into two. Much of his time was absorbed in unprofitable *contretemps* with his Russian colleagues on the Council of Foreign Ministers; he had the liberal habit of protesting grandiloquently on occasions on which action was impossible, and he often showed very little finesse in carrying out policies which he had decided were right. He thought in large and at times unduly clear terms, and dealt in phrases like "resistance to aggression" which neither improve the atmosphere of diplomacy nor throw any light on its problems. Although he was always ready to negotiate with Russia he left the impression of lacking the suppleness and realism which would have made negotiations fruitful. His treatment of Western Union was typical of the merits and defects of his mind. Having correctly determined that constitutional links with western Europe would be harmful to the Commonwealth, he refused even to consider plans which involved attempting to forge them. He met uncompromising logic with uncompromising logic, and by so doing squandered one of the most formidable weapons of British diplomacy, the national talent for confusing issues. But all this is as nothing, compared with his skill in carrying the Labour party behind a

policy which, though it now seems obviously right, was hostile to that party's tradition.

Epilogue of Disintegration

THE second spell of Labour administration, only eighteen months in duration, provides a telling epitaph on the first five years. When the nationalization of steel had first come up for consideration it was obvious to discerning minds that the cross-roads had been reached. A succession of nationalization Acts had exhausted Parliament. It was clear that they bore no relation to the pressing problems of the hour, and at first, at least, they caused considerable dislocation. Meantime no answer had been found to inflation. The colossal load of taxation discouraged saving; government expenditure mounted each year; wage claims in the nationalized industries entailed considerable increases in their charges to consumers. Food subsidies kept the price of essentials down and thereby encouraged the purchase of inessentials. At the same time the world scarcity of raw materials continued, and it became more and more important to stimulate exports. The total result was that more and more money was available for the purchase of fewer and fewer goods, and the domestic consumer was constantly competing with the export market. It was essential to bring production costs down in order to regain markets abroad. The nation was living above its income. Furthermore the increasing intervention of the State in economics disorganized the process by which supply and demand adjust themselves to each other. Rationing, subsidies and price controls kept some prices low and sent others up. All along the line the State was doing its best to protect the people against unpleasant realities, and the realities were beginning to win. Wage-earners had gained much and been spared much by Labour, but could the country afford the boons it had conferred on them? Pensioners and the salaried classes, on the other hand, were cruelly hit, and the whole country, irrespective of class, was tired of queues and ration books. Labour had perceived this and reduced the number of controls; but it was evident that many people who objected to the disadvantages of a regulated economy wanted its advantages, and the Government lacked the courage to help them to a rational choice.

At the beginning of 1950 it seemed that Labour must turn in one of two directions. Either it must go in for a controlled economy in earnest, combating inflation by controlling wages as well as prices, and making the country save by taxing it and not spending the proceeds. This policy might involve direction of labour as a substitute for monetary incentives. Such a policy, however, would bring the Government into open conflict with the trade unions. The alternative policy was to let the facts speak for themselves by removing some at least of the shelter provided by controls, and by checking the process by which the Government pumped back so much of the money it took from the taxpayer. Saving would have to be encouraged by reducing the burden of direct taxation, and normal economic incentives restored by allowing prices and profits to reflect the country's real needs. Both these alternatives were harsh. The first offered equality and poverty, the second greater opportunities and more risks. Neither could be taken to its logical

conclusion without disaster. A fully controlled economy might eventually mean the end of parliamentary institutions; a wholly free economy, revolution. The question was whether Britain was to lean towards freedom or control.

The election of 1950 revealed that the country was almost equally divided on this point. Returned with a majority of six, Mr. Attlee's Government could hardly be expected to embark on courageous measures. But the fates were against it. The outbreak of the Korean war and the steady deterioration of Anglo-Soviet relations necessitated a large expenditure on armaments, which, added to that on social services, increased inflation. The trade unions declared war on wage restraint. The prices of raw materials leapt, and the problem of the balance of payments reappeared in an acute form. Sir Stafford Cripps, the ablest intellect in the Government, had been removed by illness. Mr. Bevin, the great oak on which his colleagues leaned, was felled. Ministers were tired and frequently ill, and the proceedings of the House of Commons at times became chaotic as a result of the almost equal division of power. Mr. Morrison at the Foreign Office lacked Mr. Bevin's prestige, and, being a party manager, gave only half his mind to his task.

Then the final blow fell. A group of Ministers, headed by Mr. Bevan and Mr. Wilson, reappeared to champion the cause of radicalism in home and foreign policy. They demanded a reduction in rearmament and an increase in state direction. It was clear that the rift, so long suppressed by Mr. Bevin, re-emerged. Mr. Bevan's policy had at least the merit of rationality. It was a practicable course of action, however disastrous it might be in effect. The Government had no alternative to offer, except patiently to stand still while inflation took charge. They would maintain rearmament and would not diminish the social services. They would not increase controls by extending them to labour, nor would they diminish them. Rarely has a Government been more manifestly devoid of inspiration. Yet it polled more votes than its opponents at the general election of 1951, and they obtained a majority of only 21. The reason was that for industrial labour Socialism had become a creed, and voting for the party a sacred ritual. The Tories were returned by desertions from the middle and lower middle class voters who had given Socialism a trial.

The Labour Government has one permanent achievement to its record. Henceforth economic justice will be regarded as one of the objectives of the State. Commerce can never again be treated as a department on its own to which ethics do not apply. Victorian critics of liberalism, like William Morris and Kingsley, have been vindicated. Of course the process started long before Labour came to power. The need for state intervention was more fully recognized by Mr. Baldwin in 1935 than by Mr. Churchill ten years later. But it took a peaceful revolution to make state planning accepted as a constant duty, not an occasional necessity. Such is the permanent achievement of Socialism in Britain. Immediately it has had the effect of demonstrating the limits of state planning. Labour failed because it was a Government of academics who believed that politics consists of abstract problems and clear-cut solutions.

ECONOMIC PROBLEMS FACING A NEW GOVERNMENT

THE POSITION OF STERLING

THE election of a new Parliament and the constitution of a new Ministry makes it opportune to take stock of the economic situation that confronts the country. The two major issues demanding immediate attention are the execution (including the financing) of the rearmament programme and the stabilizing of the economy. These questions are essentially connected, since if the economy were allowed to drift in its recent weakness, the financing of rearmament, the importation of the essential materials from abroad and the maintenance on an acceptable level of the standard of living would be brought into jeopardy. Thus the root question of British economy is the rehabilitation of the internal and external financial position of the country, which focuses at once on the position of sterling itself. This was the theme of the grave statement made by Mr. R. A. Butler, the Chancellor of the Exchequer, when he addressed the House of Commons on November 7 a few days after he had entered on his new office.

It is impossible to exaggerate the importance of this issue. Sterling is not only the medium through which all our internal transactions are conducted, in which prices, wages and salaries are fixed, and in which a vast international commercial business such as insurance, freights and remittance is conducted, bringing incalculable financial benefit to the country as a whole, regardless of the place of origin where the business is initiated or the destination of the goods to which it may relate. The heavy loss of external assets, which had to be drawn on to finance the two world wars, is one of the principal causes of the weakness of sterling since 1945, and every effort should be made to restore these losses as soon as may be. But this task is almost impossible while sterling remains weak and the free convertibility of the pound remains an unrealized dream. But over and above the importance of sterling in the international aspect, account must be taken of its position as the basic currency of the sterling area, including the greater part of the British Commonwealth and some other countries which have built their economies round the pound sterling and maintain large balances in London for the convenience of financing their trade and other purposes. If this system is to endure, the security of the pound must be placed above suspicion. An end must be set to the recurring financial crises which have beset sterling since the end of the war. The failure of the move towards convertibility in 1947, which involved a heavy loss of reserves, was succeeded in 1949 by the crisis of devaluation. Now another grave crisis is casting its shadow. In future the pound must be so managed that it shall cease to be the prey of speculation. Dollar-pound stability is the pivot on which world monetary stability should revolve. This means that policy must be directed towards a progressive loosening of the

restrictions that hamper commercial relations in their widest sense with the dollar area. Even if capital transactions have to remain for a time under restraint, the objective must be to produce a state of balance and monetary confidence which will at least enable current transactions to be free. The goal is the disappearance of the distinction between "hard" dollar and "soft" pound and the ultimate establishment of free convertibility between these two major international currencies. When once confidence in the pound and its management has been firmly established, the principal motive, which on the one hand deters the advent of foreign funds to Britain and on the other hand fosters a desire to place capital resources outside Britain, would receive its quietus.

The re-establishment of the position of the pound is thus the fundamental monetary issue that a new Parliament and Government have to tackle. From the failure to deal with this question earlier there have sprung a number of troubles that have harassed British economy in recent years. It is not that the late Government failed to recognize the danger of the present position. The charge is that, having recognized it, they lacked the courage necessary to deal with it and refrained from taking unpopular decisions to cure the evil at its root. Reserves of taxation, raised to exceptional heights in the war, have not been recreated. War-time taxation has been used for peace-time purposes and for the premature introduction of social easements which were beyond the country's strength after the exhaustion of the war. Never before in Parliament has a Chancellor of the Exchequer used more ominous language than did Mr. Gaitskell, when he introduced the budget for the current year last April.

Finally and more generally I must draw attention to a real danger, which because we in this country have in the past successfully avoided it, is often ignored: the danger that if incomes and prices rise swiftly and continuously, there may be a progressive loss of confidence in the value of money. Were such confidence to be lost, we should be plunged into inflation of the most violent kind, which in other countries has brought the whole fabric of their social and political life to the edge of disaster.

The new Chancellor of the Exchequer realizing the present danger, has announced his policy "We must immediately quench any doubts there may be about the strength of sterling and about our ability in the United Kingdom to manage its affairs effectively". Important action has already been initiated.

The Inflation Danger

IN this introduction dealing with the vital need of restoring the position of sterling we have avoided the over-worked term "inflation". Now that it has come into this paper in the quotation from Mr. Gaitskell, we shall continue to refer to it in the sense of a loss in the purchasing power of money, cutting down the real value of wages and salaries, whittling away the real value of savings (and so undermining the foundation of thrift) augmenting the paper, though not necessarily the real, profits of industry, weakening its real capital, and cheating pensioners and investors in government and other fixed-interest-bearing securities of their legitimate expectations and putting

up the cost of all commodities from toothpicks to battleships. It is of course the case that some classes in the community, notably those grouped in large trade unions, are able by negotiation to secure an increase in their money wages to compensate for the increased cost of living, consequent on inflation; but this is often a tardy process and, unless the rise in prices is halted, they may easily find their hope of catching up with it disappointed. Others with real assets find that these have increased in value. The whole process of inflation disturbs social relations in an entirely arbitrary and unjust way. Externally the rise in internal costs of production threatens to reduce our capacity to export to the dollar area and elsewhere, and so impairs, our balance of payments and the maintenance of the dollar and sterling reserves on which the whole sterling area depends. Doubtless external influences have played their part in promoting inflation, the danger of which is recognized in the United States. But here devaluation has seriously aggravated the fall in the purchasing power of the pound. A strong effort is now needed to exorcize inflation. A co-operative policy with the United States is much to be desired, for the dollar-pound link, so long as it is fixed, automatically visits on sterling the fortunes of the dollar. A perfect system would imply that the dollar itself should retain stability in purchasing power, so that Britain, keeping the pound in step with the dollar, would avoid the evils of both inflation and deflation. If, however, the United States should fail to keep the dollar price-level reasonably stable, a position might arise in which this country would have to protect itself by varying its exchange rate with the object of preserving the maximum degree of price stability here. This may become a problem of the future.

The Budgetary Position

WHEN presenting the current year's budget the Chancellor of the Exchequer spoke of the "chilling" prospect of expenditure which for 1951-52 was estimated at £4,197 million, showing an increase of no less than £939 million over the corresponding figure for the previous year. The main cause of this increase lies in the rearmament programme. Defence is responsible for no less than £1,443 million, if civil defence and stockpiling are included. The security of the country has the first claim on the national resources and, provided that the expenditure is closely controlled so that the nation receives full value for the money, no sane person will cavil at the burden. But here again, as under the other main budgetary heads, inflation plays its part in swelling the figures through the increased costs that have to be incurred for pay, labour and material. After defence, the main burden on the taxpayer, which Mr. Gaitskell puts as 7s. 6d. in each pound of expenditure, arises in the social services including the food subsidies, which latter are now at a ceiling of £400 million. The subsidy system is uneconomic since it applies to all persons equally. It readily lends itself to pressure for increase. It also involves a distortion in the relation between British and world costs of production. At a time of rising prices it is difficult to contemplate an immediate cut in the subsidies, which would in all probability accentuate the demands for increased pay in compensation. But the proceedings of the Ministry of Food have given

rise to much criticism. The failure and waste in some of its large schemes is notorious and the methods of its purchases have been called in question. It would seem that the affairs of this Ministry, which all hoped would be a temporary war-time excrescence on the government machine, should be overhauled by an independent body, which should have the task of considering possible economies in administration, the transfer or cessation of certain activities and the eventual disappearance of the Ministry as such. It is certainly an anomaly that while this country maintains the most elaborate set-up in the field of food, it suffers more from food shortages than other Western countries. There is useful work to be done by a new Government in this field, and plans might be studied which might ultimately lead to the disappearance of the food subsidies as such, relief being given by tax alterations in other directions or adjustment of tax allowances for families in the lower income ranges.

As regards national health, Mr. Gaitskell himself felt obliged to limit public expenditure to £400 million when he introduced a measure of payment for spectacles and dentures to the discomfiture of some of his own colleagues. Nevertheless, it was a measure that the financial state of the country urgently required. There was an enormous increase in chemists' prescriptions, the demand for spectacles and such-like medical accessories when the Health Scheme was introduced in 1948. Much may have been necessary, but it is beyond doubt that, when no *ad hoc* payment for goods or services is exacted, the door for abuse and carelessness is open wide. It took a national "free" health scheme to show the public how unhealthy it was! The financial solution seems to call for some expansion of the principle of part payments for services rendered and goods received. The time is at hand when an independent enquiry into the working of this large new scheme should be undertaken. No one would wish to truncate its beneficent influence in any fundamental way. Provision must be made for the "free" treatment of those who cannot afford to meet any part of the cost of maintaining health, as was the case "in the bad old days". But incomes of salaried and wage-earning classes are now on a level that should normally admit of some contribution to the costs of the health service in respect of individual benefit. There is an important psychological difference between a heavily subsidized service and one which appears to be "free" but has to be financed indirectly through purchase tax or a fantastic scale of duties on liquor and tobacco.

These considerations are important, seeing that the social services must in the nature of things be expanded and involve more public outlay. Britain must keep abreast of and seek to lead advance in medicine and surgery and the treatment of the infirm. Larger and better equipped schools are required to meet growth of population and the rise in the standard of public demand. The question of housing subsidies, grants towards which now absorb large sums, also calls for realistic review. National insurance and war pensions account for no less than £400 million, that is, 10 per cent of the total budget. Yet with the increased cost of living there is an easily understandable demand for improving the pensions of those who have been injured in war or whose working days are over. These are the classes who suffer the most from infla-

tion and it is not possible to leave them to bear unaided the brunt of a misfortune for which they are in no way responsible.

Expenditure, Taxation and Production

EVEN before the starting of the special rearmament programme the proportion of the national revenue taken by the State and local authorities was over 40 per cent. The figure is not only high absolutely—higher than that recorded for other industrial countries—but it must be remembered that all expenditure which, going through state channels, finds an ultimate issue in public demands on man-power and industry is likely to be extravagant. Planning on such a vast scale cannot be executed without errors, to which planners like other mortals are liable. The processes of red tape are themselves as wasteful of man-power as they are galling to business. A thorough overhaul of government expenditure is thus a task awaiting a new administration, which has to find still larger sums for completing rearmament. Mr. Butler has wholeheartedly accepted the "classical function" of the Chancellor of the Exchequer to restrain Government expenditure. The budget for 1952-3 must be awaited before judgment is passed on the success of the attack on public spending. But, apart from the unescapable claim of Defence, substantial savings are imperative in all possible directions.

Mr. Gaitskell had said that though public expenditure had to be kept in check large cuts in expenditure could not be made without hurting people. This kind of comment overlooks the hurt that everyone is suffering from the shockingly high taxation, direct and indirect, which destroys incentive in all classes of society, thus inhibiting the maximum effort to increase production and precluding by its combination of sur-tax and estate duties the rebuilding of capital consumed. The situation also encourages recourse to past savings, the public being moved to call on these to meet the present rainy day of rising prices and reduced real incomes. When pursued too far, taxation itself becomes a factor in the inflationary process, since it is the reflection of an increased demand for labour and material without adding to supply. Moreover, the mere obligation to collect as much revenue as possible to meet its outgoings forces the Government to measures which threaten to prevent the proper maintenance of industrial plant and machinery. Inflation has of course raised the cost of replacing obsolescent plant. Yet the tax arrangements do not yet recognize the need for allowing industry to base depreciation not on past but on present costs of replacement. In effect, tax is levied on moneys that are not profits in any true sense but represent sums set aside to provide for renewals of obsolescent capital equipment. There is thus an urgent need for an examination of the incidence of taxation on business enterprise, and certain reforms are called for even before the Royal Commission on income tax reports its conclusions.

This is only one factor in the general problem of increasing production, on which the preservation and raising of the standard of living rests. Since the war Britain has not been paying her way. The standard of living, with all its shortages and frustrations, has only been maintained with the help of gifts and loans from the United States and Canada (including Marshall Aid, which

has now ceased) and by piling up debts in the shape of the sterling balances. In June 1951 these sterling debts to overseas countries amounted to no less than £4,168 million as compared with £3,417 million at the end of 1949. The time for repaying dollar debts is at hand and it cannot be expected that countries with large funds in London will be content to see them rise indefinitely, with the possibility that their real value will be reduced by inflation.

The radical cure for the situation is to produce more goods at a properly competitive price—goods of traditional British quality with attractive delivery dates. Employment in this country is now running at full tide. There are virtually no unemployed resources of labour to be brought into the productive system. The Monopolies Commission exists as part of the apparatus to see that no hampering of output results from monopoly practices. On the side of the trade unions it is necessary to make certain that national output is not impeded by restrictive procedures. A vital task of the new administration is to secure the wholehearted co-operation of management and labour in increasing the national income. These two sides of industry must work as a single unit to this end, and a term must be put to old jealousies between capital and labour. Both factors are necessary if the country is to raise production as present urgencies demand, so that Britain may be able to secure the imports of foodstuffs and raw materials essential not only to employment but to very existence. In no field is this more important than that of coal production, the foundation of engineering and transport. Despite some encouraging factors the Chairman of the National Coal Board has described production as “woefully insufficient” and supplies of heating media to householders, that is coal, gas and electricity, are about 8 per cent less per head of the population than they were in 1938. This year as last, dollar coal has to be imported from the United States, thus negating the proverbial absurdity of “carrying coals to Newcastle”. The five-day week in the mines was introduced prematurely and in practice recourse has been necessary to Saturday working at increased cost, producing in eight weeks (August–September) nearly 1,000,000 tons. There is an imperative need for an increased labour force, but unless this can be provided by the recruitment of foreign workers it is impossible to view the prospect with optimism.

Balance of Payments

THIS brings one up against one of the difficulties of this inflationary age. Everywhere there is a shortage of man-power. “Full employment” as it is working out under inflation means that there are more jobs than there are workers, but it does not mean that each worker is producing the maximum output of which he is capable. In some instances, notoriously in the building industry, this is not the case. Here the incentive issue is important. A restricted standard of output, whether it arises from increased liability to tax or from trade practice, is inimical to the country’s interest. The proper meaning of the phrase “full employment” in a developing and changing industrial society calls for examination. It cannot mean that everyone should be fossilized in

the same job indefinitely. Transition from one employment to another, for which the social services provide, is an essential factor in industrial progress. This is part of the subject which calls urgently for study by the administration and the unions with a view to securing greater efficiency and output at a reduced cost per unit, not only to meet consumption demands at home but to promote much-needed exports.

This question, which falls within the orbit of the balance of payments, leads naturally to the concluding phase of the argument. For the quarter ending September last the net gold and dollar deficit of the sterling area was no less than \$638 million, a figure not materially different from that realized in the pre-devaluation phase of 1949. For the June quarter of 1951 there had been a small surplus of \$54 million. It is clear that in present conditions oscillations can be very great. At the time of devaluation the total gold and dollar reserves had fallen below \$1,500 million, whereas at the end of last June, as the result of their subsequent rebuilding, they had been raised to \$3,867 million. Mr. Butler stated that at the end of October the reserves had dropped to less than the equivalent of £1100 million, that is about \$3,000 million. To arrest the drain the Chancellor has put in hand emergency measures designed to save £350 million a year of external expenditure, mainly by the unwelcome but in the circumstances unavoidable method of restricting imports. The improvement in the reserves during 1950 and early 1951 was due in large measure to the high prices of Commonwealth-produced raw materials, such as tin, wool and rubber, under the influence of American stockpiling for rearmament. There is some reason for thinking that the acute buying phase may have passed its peak, but in present world uncertainties it is not possible to dogmatize. It must, however, be remembered that in the period October 1949 to March 1951 a sum exceeding \$1,000 million accrued to the sterling-area resources under the European Recovery programme, which is now coming to its end. To this broad outline of the sterling-area position Britain's own balance of payments has made a disagreeable contribution. As against a net surplus of £42 million for the first half of 1950, on "visible and invisible" account, the corresponding period of 1951 has revealed a net deficit of £122 million, largely owing to the growth of imports at current high prices, which are not covered by a corresponding rise in export values or by the net increase from shipping, interest and similar items. The loss of Persian oil is for the time likely to add substantially to Britain's dollar trade deficit, which for the first half of 1950 is not far short of the figure for the whole of the previous year. Britain's balance with the sterling area and with Europe is also showing unfavourable tendencies, as shown by the rise in the debts due to the sterling area and by the debits to the European Payments Union. Apart from a possible fall in import prices there are no particularly encouraging features in Britain's commercial prospects. Devaluation, reluctantly undertaken, has been the disappointment which informed opinion foresaw. The cost of internationally traded imports rose at once, and with the increase in internal costs of production, to which still rising wages contribute heavily, the initial stimulus to exports has virtually disappeared. The terms of trade turned viciously against the country. There is shortly to be

a conference between the financial authorities of this country and the sterling area. They will have formidable problems to face, and remedial measures are urgently required, not more restrictive expedients which only touch symptoms, but a radical change in policy which will deal with the disease at its root. The whole sterling area is deeply concerned with a policy that will maintain the purchasing power of the pound. This postulates a sound budgetary policy, which will preclude recourse to the expansion of credit through the banking system. The restoration of sound money, on which the prestige of Britain and its commercial foundations rested for so long, will recreate the habit of thrift and will protect sterling from speculation. Every move should be framed with the return of free convertibility of the pound as its goal. A sound currency cannot be had without effective credit control. The attempt to check inflation by way of the budget, of which the prospects may be upset by later happenings and which is largely based on hypothetical mathematics, has been given a fair run and proved inadequate. Under the late Government recourse to the use of bankrate as a weapon against inflation was studiously avoided and for many years inflation and in 1949 devaluation were allowed to occur in the encouraging atmosphere of a non-effective 2 per cent! Here Mr. Butler has made an important change in sanctioning a rise of Bank rate to $2\frac{1}{2}$ per cent. This is a modest beginning towards the employment of more orthodox measures, which by way of interest rates will operate directly on the flow of money. The evil of growing inflation is now seen to be such that it must be eradicated. In a well controlled economy money rates should rise and fall according to circumstances. If for a time money rates have to rise above the low level of recent years to put an end to the inflation, the discomfort must be endured for the sake of the ultimate gain in the restoration of financial health. When this has been established care must be taken to prevent any relapse. The preservation of monetary well-being should again be the pride of all British Governments and should be treated as outside the field of party.

The Goal—Restoration of Convertibility

AN attempt has been made in this article to take a synoptic view of the economic problems awaiting a new Government. Taking it for granted that the safety of the state, that is the requirements of defence, has the first priority, it is contended that these cannot be met unless the fundamental economy is sound. We have cast our eye on the budgetary position and pointed out that the problems of over-taxation and the excess call of the state on the national income have been intensified by the prevalence of inflation. We have also commented on the urgent need for arresting the fall in the purchasing power of the pound, with a view to relieving those disabilities in industry which through the increased cost of labour and materials threaten the stability of the industrial process and hamper, owing to the rising cost of British production, the growth of exports, which are vital if the country is to be able to pay for the raw materials necessary to maintain employment and for the food essential to the very existence of our large population. We have dwelt on the necessity of fostering production by every

possible means and of restoring the habit of thrift by giving the country as far as lies in our power stability in the value of our money, on which all our transactions, internal and external, rest. We have in the course of the argument developed the warning given by the late Chancellor of the Exchequer on the risk of an intense and destructive inflation, and have sought to draw conclusions, now emphasized by his successor, regarding the dangers ahead from the trend in the balance of payments of the sterling area, the unfavourable position of the United Kingdom's commercial accounts and the growth of British debts to overseas countries. Throughout the discussion the spectre of inflation looms large and links all these grave problems together. The day for makeshift expedients and experiments has passed. Inflation is not only unjust but unrewarding to the national interests over the widest field. The first duty of a new Government is to concentrate the full force of its endeavour on stopping the growth of fresh inflation. By budgetary measures, by monetary discipline and by stimulating production the Government should devote its energies to restoring the pound to the position of a convertible currency. This is the ultimate objective which alone can provide a firm basis for the development of British economy and the recovery of the nation's strength and prestige throughout the world.

ISLAM IN THE UNITED NATIONS

A UNION OF MUTUAL REGARD

THE United Nations include ten Islamic states, namely states in which Islam is the faith of the great majority of the inhabitants. Another member, the Lebanon, whose population is almost equally divided between Christian and Muslim, is at the same time a member of the predominantly Muslim Arab League and conforms with its policy in the United Nations.

The size or importance of a number of other Islamic territories makes their future inclusion in the United Nations a possibility. The candidature of Jordan is amongst those at present vetoed by the U.S.S.R. because Western opposition is barring the admission of Soviet-sponsored candidates. Libya, however, whose statehood will be the result of a United Nations decision, may hope for admission, possibly after a probationary period. But the status of Tunisia, Morocco and the Sudan is still such that there is no immediate question of their candidature.

Of existing Islamic member-states, Turkey, Persia and Afghanistan, though influenced by a strong current of sentiment in favour of fellow Muslims, follow individual policies. The Arab states—Egypt, Iraq, Syria, the Lebanon, Saudi Arabia and the Yemen—form (with Jordan) the Arab League and constitute a more or less solid front within the United Nations; among these states Egypt, as the richest, strongest and most populous, plays a principal part. Pakistan, owing her existence as a state to the determination of her citizens not to remain a Muslim minority among a Hindu majority, naturally applies a Muslim criterion in world affairs and is the state most disposed to encourage a policy of Muslim solidarity. It is true of course that Saudi Arabia, which still preserves the Islamic Sharia Law as the legal system of the state, is more strictly Muslim in a religious sense; politically, however, she regards the world through Beduin and Wahhabi eyes and the limit of her interest hardly extends beyond the Muslim world and matters directly concerning it. She is thus inclined to leave it to Syria or one of the other Arab states to act as her spokesman in the United Nations. The same is true of her neighbour, the Yemen.

In Indonesia the introduction of Islam, which is today the religion of more than 90 per cent of the inhabitants, was of more recent date. The Republic has no traditions of a great Muslim past, nor was Islam in this case the factor in the attainment of statehood that it was in the case of Pakistan. The country has, moreover, a highly distinctive culture of its own, derived for the most part from non-Muslim sources. The religion itself, partly perhaps from the manner of its introduction, which was not the concomitant of a foreign invasion as in many other lands, and partly from the nature of the climate and the people, assumes a form in which belief is less liable than elsewhere to express itself in political forms.

Any survey of Islam in the United Nations must take account also of the attitude of three non-Muslim Powers—India, Britain and France—who either control large Muslim populations or have a particular interest in the Muslim world. Though India has lost the most solidly organized and homogeneous Muslim masses to Pakistan, she still has some forty million Muslims within her borders, which means that she probably has more Muslim citizens than there are Muslims in the whole of western Pakistan. Pandit Nehru holds passionately to the belief that Muslims can live honourably and happily in India among a Hindu majority and form one nation with them. India has thus maintained the pre-partition tradition of special regard for the Muslim world and of seeking to win Muslim sympathy in domestic affairs by supporting Muslim aspirations abroad. This fact led India to side with the Muslim Powers against the proposal to create a Jewish State in Palestine and made them hesitate before giving recognition to Israel. Some Zionists, indeed, among whom was the first Israeli Minister in London, have put forward the idea that India and Israel are natural allies, representing the only stable democratic forces in Asia. This suggestion, which seems to derive whatever validity it may possess from the possibility of an alliance of the two states against the Middle Eastern Muslim *bloc*, formed by Pakistan and the Arab states, has found some favour with the Mahasabha and other Hindu extremists, but does not seem to have impressed Indian government circles.

The British attitude to Islam no doubt had its origin in British experience in administering India and was further reinforced by the importance of the British connexion with the Middle East; here, however, it has latterly been challenged, hitherto unsuccessfully, by a school of thought which would prefer Britain to rely upon Israel. Just as India tends to emphasize her support of Arab and Muslim aspirations in general in order to offset her dispute with Pakistan over Kashmir, so Britain tends to emphasize her sympathy for Islam and the Arab idea in order to offset her dispute with Egypt.

The French outlook is quite different. Anxious to assimilate her Muslim subjects, or at least to make them into Muslim-French citizens of satellite Franco-Arab States, she feels that their formation in a large homogeneous group on a basis of Muslim or Arab national sentiment would render this task impossible. She therefore prefers to deal individually with a number of small entities and to keep Tunisia, Algeria and Morocco as far as possible apart in the political field. Similarly when she received a mandate for Syria after the first world war she originally planned to divide the territory into five separate states, Damascus, Aleppo, the Lebanon, Jebel Druse and the Alawites.*

Limited Influence of a Common Culture on Foreign Policy

THE existence of these divergencies rules out the possibility of a co-ordinated Muslim policy in international affairs. It is nevertheless possible to discern certain general tendencies in the attitude of the Islamic states towards the United Nations.

* For long periods, both in biblical times and in the Middle Ages, the division of Syria into a number of small states seems to have been regarded as normal.

In the first place, since Islam is a way of life and a mode of civilization as well as a faith, a strong bond of sympathy exists among all Muslim states and where other things are equal they tend to support one another against outsiders. This link, however, does not ensure good relations when their individual interests are in conflict; some twenty years ago, for example, it did not prevent Saudi Arabia and the Yemen from making war upon one another, though they were both Muslim and both Arab states. Nor does it today prevent Muslim Afghanistan from seeking the aid of Hindu India against Muslim Pakistan. In a pamphlet entitled *Pakhtun Day* the Afghan authorities justify their attitude by the following arguments, attributed to a Pathan leader in Tirah.

We did not fight the British as Christians; we fought them as aggressors We fight the Pakistanis as aggressors, not as Muslims. In Islam we are brothers with those who are true followers of Islam, but to be a brother does not mean that the one who is granted brotherhood should have the right of possession of another brother's house or honour. . . . We hope the Pakistani Government will realize this or we shall have to fight them with the sword in one hand and the Qoran in the other: and in their case, unlike that of the British, we shall be able to tell the Pakistanis that the Qoran tells them to stop aggression and tells us never to stop defending our right to freedom as long as aggression continues. (p. 25.)

Nevertheless, it is worth noting that the Muslim neighbour has proved so much more acceptable as a ruler than the foreign Christian that the Pakistani Government is able to administer the Pathan area without maintaining the large garrison which the British Government used to find necessary. In the case of the Saudi Arabian war against the Yemen, too, the just peace which was subsequently made owed much to the services volunteered by a non-official delegation of influential Muslims from Syria and Egypt, which included Shakib Arslan and Hashim el Attassi (Syria), Haj Amin el Husseini (Palestine) and Mohammed Allouba Pasha (Egypt).

Two other important factors give further coherence to the Muslim attitude in the United Nations. These are the character of the organization itself and certain circumstances which the Muslim states have in common.

American Predominance in the United Nations

IT can hardly be doubted that the creation of the United Nations Organization owes much to the ideas of President Wilson on the self-determination of nations. While it would be ungracious to deny the element of idealism in this, it is also impossible to overlook the fact that the form which this idealism took suited the interests of the great American republic very much better than it did those of the Great Powers who bore direct responsibility for the government of subordinate peoples.

The Wilsonian principles, which laid stress on the rights of all peoples to self-determination but failed to define precisely what constitutes a people, find expression today in various declarations in the Charter and in the equal voting rights enjoyed by every member-state in the General Assembly. The

Preamble reaffirms "faith in the equal rights of nations, great and small" and in the employment of "international machinery for the promotion of the economic and social advancement of all peoples". Under the heading *Purposes and Principles* the objective is laid down of "developing friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples", while Article 14 expressly authorizes the General Assembly to recommend measures for the adjustment of situations arising from a violation of these principles. Chapter XI, containing the declaration concerning non-self-governing territories, speaks of developing "self-government, to take due account of the political aspirations of the peoples, and to assist them in the progressive development of their free political institutions" (Article 73). The position of the great colonial Powers is indeed to some extent safeguarded by their predominant position in the Security Council, by the right of veto accorded to them therein and by the statement, under the heading *Purposes and Principles* (Ch. 1, § 7), that "nothing contained in the present Charter shall authorize the U.N. to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter". More important still, of course, there remains, in the background of the Charter, the reality of the moral, scientific, industrial and military pre-eminence of the greater states. In spite of this, however, the United Nations in its present form offers obvious advantages to states which are weak or feel themselves threatened by some stronger Power.

Now these conditions are fulfilled in the case of all the Muslim states. None of them is a great Power and the only two which possess a considerable military potential, Turkey and Pakistan, both feel themselves menaced by a larger neighbour—Russia in the case of Turkey, India in the case of Pakistan. The remaining Muslim states are desperately weak, industrially and militarily, and for the most part have only recently emerged from a subject or semi-colonial status. Inevitably, therefore, they appreciate the benefits of a body which offers them at once substantial guarantees of security and—through their voting power—an influence in the settlement of world affairs which is much greater than their material resources could command. Some of them, moreover, notably Afghanistan and the Arab states, are greatly interested in emancipating related peoples whom they regard as still subject to a foreign yoke. Such states, and the protégés whom they hope to liberate, naturally regard the prominence given to the principle of self-determination in the Charter as one of the main weapons in their armoury. Thus the Tunisian nationalist leader, Habib Bourguiba, in a statement circulated before the meeting of the American Federation of Labour which he attended at San Francisco in September last, stated that he had a claim "of a moral nature" over that "beautiful and happy city" in that it was there that the United Nations had first pledged itself "to promote self-determination and independence of subjugated peoples".

Similarly an Afghan publication (*The Pakhtun Question*, p. 39) argues that Pakistan has no claim over the "Afghans of Pakhtunistan" because "the right

of self-determination is a fundamental right in all circumstances, as stated in the Atlantic Charter and confirmed in the Charter of the United Nations". In fact both Mr. Bourguiba and the Pathan propagandist were exaggerating and the Charter of the United Nations is noticeably less explicit on the subject of self-determination than was the Atlantic Charter. But nevertheless the Charter does lend itself to this interpretation and its appeal to all who are urging such claims is obvious.

Antipathy to Israel

THE reaction to another aspect of American predominance in the United Nations is, however, very different. Until a few years ago the United States was regarded in most Muslim countries as free from imperialist aims in the Islamic world and as on the whole a beneficent power which disinterestedly provided educational facilities for peoples who needed them, and could moreover be trusted to give a sympathetic hearing to complaints against the imperialism of the European Powers. With the immense extension of American power, however, with the American desire for bases in the Muslim world and with American sympathy and support for Israel, the Muslim states are beginning to regard the United States in quite a different light. With the one exception of Turkey, they now resent what they consider the attempt of the U.S.A. to involve them in an alliance against the Soviet because of a quarrel in which they do not feel otherwise concerned. They persuade themselves (with some difficulty, in the case of the more northerly Arab states) that they might remain neutral in the case of war. For this reason, the distrust and suspicion which were always felt of France and Britain now attach to the U.S.A. also. And since the U.N. appears to them to be developing into an instrument of American policy, it falls under the same suspicion. Their feeling towards it thus tends to be composed of two opposed emotions. They appreciate membership because they like the sense of security which membership gives and the facilities which it offers for technical and economic aid. The countries which have irredentist ambitions welcome the opportunities which it affords for promoting their purposes. The Arab states in particular, being weak, small and numerous, can on occasion make very advantageous combinations with similarly placed Latin American states. Indeed, Arab diplomats have been known to argue against the suggested union of Syria and Iraq on the grounds that this might deprive the Arab states of one of their existing six votes. On the other hand, the division of the United Nations into a U.S.A.-controlled majority and a Soviet minority, between whom the Middle Eastern states cannot remain neutral, is most unwelcome to all Muslim states except Turkey. In the case of the Arabs, reluctance to commit themselves to the Western Powers is intensified by the conviction that U.S.A. policy is largely controlled by Jewish interests and therefore works continuously in favour of Zionism and Israel. Israel and Zionism are in fact the bugbears of the Arabs and play in their regard precisely the rôle which Soviet Russia and Communism do for the United States and Western Europe. It is indeed an ironic comment on this development to recall that up to the time of the first world war the United States Government used always to

select a Jew as American Ambassador to Turkey on the grounds that to a Muslim state a Jewish envoy would be more acceptable than a Christian.

Some Special Cases

WITHIN this general pattern, the attitude of the individual Muslim states is decided by their particular circumstances. In this respect Turkey stands apart from the rest. Unlike the Arab states, Turkey entirely freed herself from Western control by waging a successful war and since then she has felt neither fear of, nor resentment against, the West. Russia, on the other hand, has provoked her suspicion by her unconcealed desire to have bases on the Straits in the same way that Britain has in the Suez Canal zone. In these circumstances, Turkey had no hesitation in identifying her future with that of the Western Powers. She gave immediate support to U.N. intervention in Korea and at once dispatched a force to demonstrate to the world, and particularly to the United States, that she was not only willing to fight but also possessed troops with the training and determination to make an effective contribution. With solid common sense she realized that the best way to establish a claim for help in her time of need was to offer aid herself in the hour of other people's need. And though in Turkey today there is undoubtedly a revival of the faith and practice of Islam, yet her experiences with the pan-Islamic policy of Sultan Abdulhamid have left her the least inclined of Muslim states to make religious kinship a basis of foreign policy. She would no doubt subscribe wholeheartedly to the statement put forward in the Afghan pamphlet above mentioned (though she might not approve of the application made of it) that in the political field pan-Islamism should not mean more than mutual respect and understanding among Muslim states, regard for one another's interests and constant friendliness and sympathy in the matter of one another's problems (*Pakhtun Day*, p. 21).

Persia, on the other hand, with her intense pride in her past and her administrative and military feebleness in the present, has long been committed to preserving her independence by playing off Russia against Britain and Britain against Russia. She apparently sees no reason to change these tactics, particularly if the United States and so the United Nations can be induced to support her first against the one and then against the other. The U.N. was in fact of the greatest assistance to Persia in the problem of the Russian troops of occupation in 1946; but this in no way predisposed her to accept U.N. arbitration in the oil dispute with Great Britain in 1951. Persia has, however, produced in Mr. Entezam, the late President of the General Assembly, one of the outstanding figures of the organization.

The Arab states, weak militarily and industrially but disposing of six votes in the General Assembly, are principal beneficiaries of the United Nations. Syria and the Lebanon profited greatly from the action which helped to secure the departure of French and British troops from their territories. This is remembered with gratitude in the two States and they have taken an active and useful part in many of the U.N. committees and the subsidiary organizations. On the other hand, they, like other Arab states, watched with amazement and horror the pressure exerted by the U.S.A. to secure the necessary

two-thirds majority for the resolution to partition Palestine. They have thus become highly suspicious of American predominance and of the Jewish influence which they believe determines American policy in all matters concerning Israel. Confidence in U.N. justice was indeed somewhat restored by the resolution ordering the readmission of Arab refugees to their former properties and homes, but this was followed by even greater disillusion when the months and years passed and no effort was made to enforce the decision. Failure to follow up the resolution in favour of a plebiscite in Kashmir has similarly prejudiced the good name of the United Nations in Pakistan, in spite of the reputation which her able Foreign Minister, Sir Zafrullah Khan, has achieved in its councils.

Egypt's failure, in her case against Great Britain before the Security Council, has not prevented her from making full though sometimes selfish use of the Organization. Having failed to reach a settlement of the Sudanese question or to secure the same position on the Suez Canal that Turkey enjoys in the Straits, she has moreover been humiliated by her military failure in the Israeli war. This results in her seeking prestige among the Arab states by pressing the general Arab claims at the United Nations in a somewhat intransigent manner.

When allowance has been made for all these various points of view, it remains true that the Muslim states all appreciate the solid advantages which they derive from membership of the United Nations. At the same time all except Turkey feel that some of those "Purposes and Principles" of the Charter which they most welcome are being imperilled by the desire of the U.S.A. to marshal as many of the member-states as possible in an anti-Soviet *bloc*. This places before them the unpleasant alternatives of either subordinating the progressive emancipation of the Muslim world to the strategic necessities of the U.S.A. and her European allies or taking the desperate and indeed hopeless step of seeking a *rapprochement* with the Soviets. In the meanwhile, association in the deliberations of the United Nations and of its subsidiary bodies is serving to make the Islamic territories better known to one another and to promote the sense of Muslim solidarity among them.

A EUROPEAN ARMY

THE PLEVEN PLAN AND ITS IMPLICATIONS

THE communiqué published by the Foreign Ministers of Britain, France and the United States after their meeting in Washington on September 14 stated that the three Governments "welcome the Paris plan as a very important contribution to the effective defence of Europe, including Germany". In this curious and oblique manner the British and United States Governments announced that they had at last accepted the plan for a European Army first proposed by M. Pleven, the French Prime Minister, nearly a year before and since then usually associated with his name. It is common knowledge that they did not do so without misgiving.

The idea of a European Army, to include German units, was first put forward publicly by Mr. Winston Churchill in a speech to the Consultative Assembly of the Council of Europe at Strasbourg in August 1950. It was immediately taken up by the French Government of the day, which saw in it a possible way out of its difficulties. France was already being pressed by the United States to consent to the rearmament of West Germany in order to strengthen the defence of Europe. Unable to deny the need for German help but unwilling to consent to the revival of the German army, the French Government seized on the plan for a European Army both as an escape from this dilemma and as a means by which German rearmament might be made palatable to the French electorate.

Though this was the French Government's first motive in taking up the idea of a European Army, it would be quite unfair to suggest that it was the only motive. The idea also coincided with the views of an able group of French Ministers and officials who had long come to the conclusion that the best hope for France lay in a federal union of Europe. This group had already produced the plan for the integration of the coal and steel industries of Europe known by the name of M. Schuman, the French Foreign Minister; they now set to work with the same skill and enthusiasm to produce a workable plan for a European Army. By October 24, 1950, only two months after Mr. Churchill's speech at Strasbourg, M. Pleven, the French Prime Minister, was able to present the first draft to the Defence Ministers assembled for a meeting of the North Atlantic Treaty Organization at Washington.

The first reactions were discouraging. The United States Government clearly thought that it was no more than a device to postpone once again any decision about a German contribution to European defence. The British Government did not try to hide its opinion that the technical difficulties of such a scheme far outweighed any merits it might have. Since, however, the French Government flatly refused to consider the revival of a German national army under the orders of a German Government, and since the Germans themselves seemed surprisingly reluctant to take up arms again, the

whole subject was left over for another year. The French took advantage of this delay to develop their plan with the greatest skill and perseverance.

They were fortunate that Dr. Adenauer, the Chancellor of the West German Government, was himself strongly interested in the idea of European union and therefore favourably inclined to the plan for a European Army. The Governments of Italy, Belgium and Luxemburg, who had all taken part in the negotiations for the Schuman plan, were also sympathetic. With the support of these countries the French Government called a conference in Paris to discuss the Pleven plan, as it was then known, in February this year. France, Belgium, Italy, Luxemburg and West Germany attended the conference as full members, and Canada, Denmark, the United States, Britain, Norway, the Netherlands and Portugal as observers. (The Netherlands has since become a full member.) By the end of July this year the conference had produced an interim report which embodied agreement on many important points. Even more important, the conference had succeeded in persuading General Eisenhower and, through him, the United States Government to give their support.

The work done has certainly surpassed all expectations. Each of the six member governments has become a convinced supporter of the plan, in which none perhaps really believed when the conference opened. They have been advised by able French and German professional soldiers who have worked together in perfect harmony to produce a detailed and elaborate scheme. They have now the backing of the British* and United States Governments for putting it into effect. Yet it would be rash to assume that this will follow automatically. There are still very great political difficulties to be overcome before the European Army is adopted by all six countries. Some of these difficulties will be discussed later, but it should be noted here that the whole plan is fiercely attacked by the Social Democratic party and other groups in West Germany as an obvious French device to keep down the German nation. This opposition may prove too strong for Dr. Adenauer, whose own party, the Christian Democrats, has recently lost ground. The French Government itself is a minority Government which must reckon with relentless opposition from the Communists, severe criticism from the Socialists and only very doubtful support from the Gaullists. (General de Gaulle, like many other Frenchmen, seems to have only recently realized the full implications of a plan which logically means the end of the French Army.) Finally, it is hardly encouraging that the Schuman plan, which was signed several months ago and is far less daring in conception, has not yet been ratified by a single parliament. If there is too long a delay the French may find the United States also becoming impatient and returning to its first idea of a German national contribution to the defence of Europe.

The ultimate aim of the plan is the fusion, under common supranational institutions, of the armed forces of all the member countries in Europe. (Although the term "European Army" is used in this article, the plan is intended eventually to apply equally to naval and air forces.) The only units

* The reference is to the Labour Government; but the Conservatives in opposition did not dissent.

to be excluded from the plan, in addition to police forces, are those required for the defence of oversea territories. This unfortunately raises an important question, since France and Belgium have colonies while Germany and Italy have not. To this extent Germany will not have "equality" under the plan—a point which will certainly strengthen German opposition to it. There is also the related question whether a French Government would have the right to move units or individual officers and men from the European Army to the French Army in North Africa or Indo-China.

Organization and Command

THE French wished this fusion to take place at as low a level as possible. Ideally, that is, they would have liked to see German, French and Italian companies serving in the same battalion. The language difficulty alone made this impractical, but the French fought for a long time to keep the national units as small as possible. They therefore suggested fairly large "European" divisions composed of three "national" brigades of about 5,000 men each. The Germans, on the other hand, insisted that the smallest possible national unit must be a division of about 15,000 men, supported by artillery and able to fight by itself against a comparable Russian division. In the end a compromise has been reached by accepting a small division—or large brigade group—of about 12,000 men. Three of these infantry *groupements*, as the French prefer to call them—or two armoured *groupements*—will form one European Army corps and will therefore be dependent on an international formation for supplies and supporting arms such as heavy artillery, bridging equipment, &c. In any case all the national units will have the same uniforms, arms and equipment. The European Army will consist of about forty-four national *groupements*, of which some will be armoured.

The organization and command of the European Army is a complicated matter. At the head will be a Commissioner or Board of Commissioners whose powers will correspond with those of a normal Minister of Defence. The French would prefer a single Commissioner, on grounds of efficiency, but the Germans and Italians are said to prefer the idea of a board since a single Commissioner would almost inevitably be a Frenchman—unless all the members agreed to accept a "foreigner", like General Eisenhower, as their first Commissioner. A board would of course mean that a voting system would have to be decided. The Commissioner would be appointed by the member governments, who would be represented on a Council of Ministers. The Commissioner, however, would work independently and, within the limits laid down by the Council of Ministers, would be the supreme authority. In theory he would be responsible, not to the Council of Ministers, but to an Assembly, either nominated by the national parliaments or—possibly—directly elected. Questions of law would be referred to a Tribunal. Though this organization closely follows that of the Schuman plan it is far from clear. The Assembly especially is still a rather shadowy body and it seems plain that power, and therefore policy, would be retained by the Council of Ministers. This again raises the question of a voting system, though the members might accept decisions by a two-thirds majority on most matters.

The Commissioner would presumably appoint a Commander-in-Chief and a "European" staff. It is an important point in the French plan that there should be no national staffs, if only in order to prevent German generals from again deceiving their allies. Since an international staff already exists at S.H.A.P.E. this cannot be called impractical, though in the case of the European Army it would be necessary to go down as far as corps headquarters. A similar problem has been solved before now by multi-national states, such as the Austro-Hungarian Empire, with the help of a "working language" for command. It may be seriously doubted, however, whether sufficient bilingual officers for this purpose exist at present.

Merits and Defects of the Plan

BEFORE considering the chief criticisms directed at the plan it is only fair to mention the chief advantages claimed for it by the French. Of these two are frankly political and only one military. It is claimed first that a European Army will create a sense of European patriotism and will therefore be an essential stage towards the formation of a united Europe. Secondly, it is claimed that under this plan it will be extremely difficult, if not impossible, for German units to act alone. Finally, it is urged, with some weight, that no single European country can now afford a complete modern defence force and that much greater efficiency will be achieved at a smaller cost if all the nations agree to co-ordinate their industrial effort. In this way, for instance, one might concentrate on producing tanks, another on artillery, another on heavy bombers, &c. The result would be a complete and efficient modern force far beyond the means of any single nation.

The chief criticisms of the Plevin plan can be grouped for convenience under two headings—the purely technical or military criticism and political criticism. Technical criticism really amounts to this: that the plan will not work in practice—at least in the only practice which matters for an army, that is, war. In any modern battle swift orders must continually be given by wireless. Will there be sufficient bilingual or trilingual officers available to translate and interpret these orders swiftly and correctly? Will the spirit of European patriotism, which may indeed be brought about by years of peaceful training in such an army, survive mistakes such as always occur in action—the shelling of an infantry unit by heavy artillery in the rear? Will the tendency of all units to blame the units on their left or right if things go wrong not be exaggerated if one is German or Italian and the other French or Belgian? Will regimental officers have the same confidence in the higher command and staff if these are divided among five or six nations? Will the small division or *groupement* be able to fight on equal terms against a Russian division, especially when handicapped by having to rely on an international corps headquarters for support? Can an efficient system of first reinforcements be worked out without hopelessly scrambling the national components? These are only some of the questions which any professional soldier will ask; they can be answered only after trial and experiment.

The political problems are in some ways more urgent because they are less amenable to experiment and because some, at least, must be solved before the

plan can be put into effect at all. They may be reduced to the single question: how in fact can a European Army be controlled and administered so long as the member states retain their national sovereignty with independent governments and national parliaments? The difficulty can best be studied by considering two practical examples.

The first of these is the question of finance. The European Army will have to be paid for by the contributions of the member states. These will have to agree among themselves both on the total sum to be spent in any one year and on the proportion of this which each must provide. It is proposed that the estimates shall be prepared by the Commissioner and approved by the Council of Ministers and, perhaps, by the Assembly as well. The relative size of the individual contributions, however, might be worked out in advance and fixed by treaty for a period of, say, five years. Thus the total sum might be £400 million in 1952, £500 million in 1953 and £600 million in 1954, but in each year Germany would pay one-third, France one-third, and the rest one-third. (All these figures are, of course, purely hypothetical.) There are two reasons why this solution could hardly be accepted. In the first place the financial and economic position of individual countries varies from year to year, so that there would have to be some machinery for revision to take account of sudden changes in national income or in the balance of trade. Secondly, national parliaments could hardly accept a system under which they were committed in advance to vote a fixed proportion of a sum over which they had no direct control. It is true that this already happens in the case of contributions to the United Nations, U.N.E.S.C.O. and other international organizations, but the sums involved are so small that no parliament feels compelled to question them. Clearly it would be a very different matter when it came to the enormous sums required for defence. In some countries this procedure might even be considered unconstitutional.

It seems probable, therefore, that the member states will have to discuss both the total sum and the individual contributions each year. There is plenty of room here for disagreement. If a unanimous vote by the Council of Ministers is required, the estimates might never be passed at all; if a two-thirds or majority vote is accepted, some governments may find themselves in the position of having to ask their national parliaments for sums which they consider too high and against which they have voted in the Council of Ministers. Would the system stand such a strain? And what would happen if a national parliament failed to vote the sum required and the government fell in consequence? Would a new government be still committed to the same figure or would it simply default?

Similar problems would arise in a very different situation. Let us suppose that, in spite of all efforts to prevent it, war breaks out and the Russian army invades western Europe. It might then be necessary to decide very quickly whether to try and defend the line of the Elbe or to withdraw to the Rhine, leaving West Germany to the mercy of the invader. Who would make that decision and who would give the order to the European Army? If the Commissioner or the Commander-in-Chief gave the order to withdraw on strictly military grounds, what would be the reaction of the German Government

or, for that matter, of the German units in the European Army? Would they consent to leave their country in order to defend France or would they prefer to stay in Germany and fight a hopeless battle? These are questions that have already been asked by Dr. Schumacher, the leader of the Social Democratic party in West Germany, and they require an answer. If the answer is that such a decision could be taken only by the Council of Ministers, on which Germany would be represented, one is driven back to the old problem of whether such a decision would have to be unanimous and, if not, whether it would be binding on the minority.

The Unsolved Problem of Authority

IN the Pleven plan for a European Army, as in the Schuman plan for the integration of heavy industry, a fundamental fallacy may be detected. It is the idea that Europe can somehow be united without solving the central problem of power. The European statesmen and officials who advocate these plans sometimes appear to believe that, by developing functional international organizations of this kind, the fact that real power still rests with the national governments and parliaments of Europe will in some way cease to matter or even cease to be true. There is no evidence that this is so. On the contrary it seems certain that no matter how great their common interests may be, no matter how closely they work together in the tasks of government and administration, a point will always be reached when it is in the interests of some states to do one thing and in the interests of other states to do the opposite. This point will arise whether the subject of discussion is the distribution of coal or the defence of Europe. It can be avoided only if the supreme power, and therefore the right to take decisions, is vested in a single, supranational authority which might be a federal government of Europe.

The truth of this seems to have been recognized more clearly in recent months. The Italian Government has proposed that the Assembly, to which the Defence Commissioner is to report, should be elected by all the member states of Europe, which should be divided up into constituencies for the purpose. This would certainly give it more reality than an assembly composed of members nominated by their national parliaments, though it would still have no real power unless a federal government was made responsible to it. An even more striking admission was made by M. Schuman, the French Foreign Minister, in a speech on October 25 when he said that while the coal and steel community might conceivably work for a time without a European political authority, for the European Army it was indispensable. This is welcome as an example of clear and courageous thinking, though one is bound to ask how far it is seriously intended. When the peoples and politicians of Europe at last realize what a federal union really means—and they have been extremely slow to do so—will they continue to support a movement directed to this end? British statesmen of both parties, who perhaps understand more clearly what federalism is, have apparently already decided. It is significant that while there is increasing support in the Commonwealth for the idea of a European Army, there has not yet been any serious suggestion that Britain herself should take part in it.

A DISTANT PROSPECT OF THE WHITE HOUSE

FIRST MOVES TOWARDS THE ELECTION

THE early outlines of the 1952 American presidential campaign are beginning to emerge. It will be a campaign filled with significance for the whole world. Already Senator Robert A. Taft has announced his candidacy, and is actively campaigning up and down the country. President Truman has all but made it evident that he will be a candidate to succeed himself. He can still easily withdraw, but all the present indications are that he will run. And the friends and supporters of General Eisenhower, with no visible discouragement from him, have opened campaign headquarters and are trying to line up delegates who will vote for him at the Republican National Convention next July.

Behind these three men are other candidates—many of them—who hope that deadlock in the Republican race or withdrawal of Mr. Truman in the Democratic will give them a chance. Governor Dewey and Harold E. Stassen are nominally supporting General Eisenhower, but they have not given up hope that the wind may turn in their direction. Governor Warren of California is a strong reserve candidate; Paul G. Hoffman, former E.C.A. Administrator, is a lifelong Republican who might receive the party's choice if others were deadlocked. Senators Lodge and Saltonstall of Massachusetts stand high in the party's favor.

Among the Democrats, if the President stands down, there are less clearly defined possibilities. Senator Paul Douglas of Illinois would be an effective candidate if he were in better health. Senators Kefauver of Tennessee and Fulbright of Arkansas are attractive younger Democrats who have been active and useful in exposing corruption in government. If they came from larger border-line or industrial states, their chances would be greater. Chief Justice Vinson, a shrewd and mellow political leader, is a real possibility and a man of poise and experience.

All these speculations are very much to the fore, a full twelve-month before the election, because of the political malaise which grips Washington. We approach the twentieth year of national political control by a single political party. If power corrupts, the lack of power also corrodes. Both the Democratic party and the Republican party suffer from the rôles they have occupied for nearly two decades. Each is coming apart at the seams, one from the laxity of machine politics in office, and the other from the futility of perpetual opposition. Each party is badly split by internal divisions. Neither is effectively carrying out its proper and needful rôle in government.

The frayed and weary aspect of Washington politics begins with the paradox of President Truman. He is a perpetual contradiction. Politically, Mr. Truman is a party-machine man, who would scrap the civil-service

system if he had his way, and would staff government through the operation of the patronage system. Yet, he has made many excellent top-level appointments. The recent elevation of Robert A. Lovett to be Secretary of Defense, with various other appointments that went with it, could not have been better.

Showing the ultra-political side of his character, the President has defended the shoddy activities of many of his subordinates and official household. He has not seemed to realize how vivid a symbol this petty corruption has become, and how effective a weapon it gives his opponents. His choice of a new chairman of the Democratic National Committee is from one of the worst political machines in the nation, the Indiana state machine of an obscure but powerful man named Frank McHale.

And yet, on the other hand, Mr. Truman's decisions on major world issues are often forthright and brave. Those who work with him closely, like the late James A. Forrestal, have testified to Mr. Truman's courage and determination. Secretary of State Acheson will undoubtedly say the same thing when he comes to write his memoirs. One cannot anticipate the verdict of history, and some aspects of Truman policy have been failures—as in China—but on the whole it has been a strong, unequivocal, evolutionary unfolding of foreign policy during the last six years. And it has grown increasingly firm and articulate.

Mr. Truman's Double Offensive

IT appears that Mr. Truman and his advisers are now preparing two big new steps. Either of them may well be known before this article reaches its readers. First appears to be a major peace offensive, including disarmament proposals, to be centered on the Paris session of the United Nations General Assembly. As this is written, decisions on the proposals are certainly not firm, and it is possible nothing significant will come forth. But the indications are that the United States, in conjunction with the Churchill-Eden team and no doubt with other nations, is eager to take the peace offensive decisively away from the Communists. We shall soon see whether they come up with anything definitive, and whether the time is ripe for effective negotiations with the Kremlin.

The second step the President is preparing is a red-hot reaffirmation of the domestic social objectives of his party, extending in a developing line since 1933. Although almost all of Mr. Truman's Fair Deal proposals have been defeated in the last two Congresses, it is apparent that the President in his retreat at Key West, Florida, and with a sharp eye on the 1952 election, is going to reiterate his commitment to a progressive social and economic program. He will nail his flag to the mast, in the feeling that time and the people will be on his side.

If Mr. Truman's foreign-policy offensive is reasonably effective and successful, and if he is right in estimating the sentiment of a majority of Americans, he will certainly be a formidable candidate at the polls next November.

But on the other side, as indicated, are all the disintegrative tendencies of a party too long in office. Even more Southern Democrats are disgruntled

with Mr. Truman's leadership than in 1948. If General Eisenhower is the Republican nominee, there is a real likelihood that several Southern States will go Republican, as they did in 1928 in forsaking New York's Al Smith and voting for Herbert Hoover. The big city machines of the north are not only tarnished but their effective power has been weakened by gambling exposures and municipal reform movements. The ideological Fair Dealers are not very much in evidence these days.

And through it all runs the effective demagogic campaign slogan of "minks and pinks" or, more politely, of corruption and Communism. This is what the Republicans will use for a party cry if Senator Taft is the candidate. "Minks" stands for the "royal blended mink" coat a member of the President's White House official group received from a business firm seeking—and obtaining—special loan favors from the Reconstruction Finance Corporation. It is a symbol for the apparently fairly petty bribery and laxity which has eaten deep into official life. "Pinks" of course means the penetration of alleged Communist sympathizers into the Government, particularly in the State Department.

Now this latter charge is elusive and difficult. The bombastic accusations of Senator McCarthy are reckless and unproved. But we still have the problem of treason—fact and fear—to face. There was undoubtedly an effort by Communists to penetrate the American Government. This is well known. Most people have assumed that the jury's verdict of guilty in the Hiss case was probably just, or at least that his defense was ineffective and that the facts have not all become known. Manifestly Mr. Hiss did all he could in his own defense and it was not good enough.

The Fuchs case, the defections of other atomic scientists, and the exposure of Communist groups which have been working for a decade and a half within the American Government—with debatable effect—all have a tremendously unsettling result. It means that confidence in character and integrity has been shaken. One cannot say with positive assurance that any policy which seemed to favor Communist interest was derived on an honest and perhaps reasonable basis, or as a result of treason.

The trouble is that most of these cases cannot be proved convincingly one way or another. The canker of suspicion has been formed. And therefore there is a premium on reckless politically motivated charges because they are very difficult to disprove. Moreover, in American politics, the State Department is perennially unpopular and suspect. Mr. Acheson, whom the historians may well call an admirable foreign minister, is not a popular figure among the people, especially in the great isolationist belts, where more sturdy and even rustic virtues are fancied. Mr. Acheson did himself much good by his firmness in presiding at the San Francisco Conference in the sight of millions of television viewers, but this was a transient success.

The only way to lift the State Department out of this target area would be the appointment of a Secretary of State whose rugged appeal to ordinary mid-continent Americans was very great, and who would staff the department with a strong reassuring team. This could be done without making any actual surrenders to isolationism. But it is not at all likely to happen, for Mr.

Truman evidently hopes that further successes in his foreign policy and further extremes of recklessness in McCarthyism will bring a reaction. He is riding out the storm with Mr. Acheson. In fact, in recent months, the State Department has tended to be the prisoner of its critics, especially in Far Eastern policy.

The Republican Challengers

IF Senator Taft is the Republican candidate, he will certainly level most of his fire against the conduct of foreign policy, particularly in Asia. But Mr. Taft's own foreign-policy views, as they have emerged in his Senatorial votes, are far from being those of a majority of the country. He is about to publish a book on foreign policy (it is appearing in mid-November) and it is possible he will commit himself to constructive steps hitherto unrevealed. If he continues along present lines, he will harshly condemn the United Nations and virtually urge its abandonment, he will advocate a minimum of military or economic aid to Europe, and will reveal his support of what could be called a punitive war against Communist China. This is a stiff program, rife with inconsistency, and when it is carefully understood by Americans it is unlikely to win their support as such. Many of them have isolationist sentiments and prejudices, but when the grim issues confront them under the pressure of events, they have supported strong and constructive policies.

This is not to deny the formidable character of Senator Taft's campaign for the presidential nomination. He is a politician's politician. His Republican colleagues know precisely where he stands. He is sturdy, forthright, uncompromising. On domestic issues, his views almost exactly express those of his party's center of gravity, although there are plenty of Republicans to the left of him and a few to the right. He is a skillful debater, a tireless campaigner, and a full-scale embodiment of American Conservatism. He is well nicknamed "Mr. Republican". He has organized a strong campaign headquarters, and his friends will be lining-up delegates in every state for the next critical months. They are bound to amass a considerable nest-egg.

Over all this effort, however, hangs the enigmatic shadow of smiling, earnest, idealistic and statesmanlike General Eisenhower. "Ike" has political sex-appeal. Taft hasn't. General Eisenhower's personality and eloquence would hit the American political scene like a June sun. But will they? Nobody knows for sure. Political leaders and would-be leaders have steadily trod the road to Marly le Roi. They have not been turned away. Some of them have even got lunch. Not a single one of them came back to say: "Ike won't run". On the contrary, they have come back to organize Eisenhower clubs and to insist on their certainty that the General will accept a draft.

But it is also agreed that the General cannot wait until the nominating convention in July for an announcement. His campaign must have more active support long before that date. His most astute advisers say that at some time in early 1952—from January to April—he must resign the Supreme Commandership at S.H.A.P.E., put off his uniform, return to the United States, reaffirm his affiliation with the Republican party, and start telling

Americans his convictions on domestic policies, and on foreign ones as well in so far as they have not yet been clarified.

If nominated, Senator Taft could readily capture the residual Republican vote. But that will not be enough to win the election. Probably three-quarters of the men and women who will be delegates to the Republican Convention would prefer to nominate Senator Taft if they thought he could be elected, because he is one of their kind. But they have to be convinced he could be elected, and that will be very difficult. Therefore the Eisenhower movement takes on great strength. For it is the one visible, sure-fire way in which the Republicans can be certain to defeat President Truman.

There seems little doubt that General Eisenhower would sweep the country in the election. But the politicians who will decide on his nomination must be convinced of his reasonable orthodoxy. They had a disconcerting experience with a non-politician in 1940 with Wendell Willkie, who lost, besides. And it is a fact that General Eisenhower does not seem to be in particular agreement with the present Republican majorities in Congress. He would appear to fit with the Republican liberals, including ten or a dozen Senators and fifty or sixty Representatives, but not with the hard core of the party which is three times that big and three times that conservative. So the Republicans might find themselves with a President at variance with their majority Congressional views, though in harmony with the country. Of course, the new Congress elected next November might show a considerable tendency toward renewed Republican liberalism, but there is little sign of such candidates entering the field as yet.

The fact is that General Eisenhower does not match either political party very closely. He would fit a realignment including the moderate liberals of both parties, men like Kefauver, Douglas, and Fulbright among the Democrats, and Lodge, Saltonstall, and Ives among the Republicans. But such a realignment and recreation of political parties is most unlikely. Therefore the shape of Congressional government in the event of an Eisenhower nomination and election offers many puzzles.

Nevertheless, if the Eisenhower drive succeeds, the country would feel the hand of potentially great leadership, experience, wisdom, and statecraft. A man like Paul Hoffman might become Secretary of State. Other leaders of high talent could be brought in. And Congress, still perhaps curdled into knots of special interest, would be confronted by a strong executive administration, whose leadership would impress the country.

Prerogative of a Senator

ONE major defect of the American Congress is that the men who sit for the safest seats are on the whole the most extreme, unreasonable, selfish and petulant legislators. Through the seniority system, they control the Congress. Their power is inordinate, and their state or district may be utterly remote from the dominant sentiment of the country as a whole. Some of them sit for virtual pocket boroughs. Such a one is Senator Pat McCarran, Democrat, of Nevada, who is now conducting a loyalty witch hunt. Senator McCarran is elected by the franchises of some 44,450 voters, as compared

with 2,319,719 in New York, and he has probably done favors or got jobs for a good part of them. To defeat him is virtually impossible. And yet Senator McCarran dares to perpetrate such unconscionable acts as to order an Assistant Secretary of State to his office, where the Spanish Ambassador was waiting, and there to command the American to make fresh loans to Spain. How such a thing could be done in the presence of a foreign envoy, without outraging the sensibilities of Congress, is only explainable on the basis of the sovereign prerogatives of a United States Senator.

The Economic Background

FOR the next year, the air will be politically super-charged. Yet American policy will not be at a standstill. The President, running for re-election on the basis of a claim of successful policies, will be more active and diligent than ever. This is a mixed blessing. The Congress will be less co-operative and more partisan than ever. But we will survive, and our national policies will not fall too far behind the needs of the hour.

There is more doubt, perhaps, as to the effect of the inflationary pressures which will be reaching a peak next year. If, as a result of the prospective peace offensive or other events, an actual world settlement should begin to take form, the dangers would be deflationary. But it is an insupportable assumption to consider the American economy hitched to a war boom. We ought to be able to absorb, even if not without strain, a considerable measure of deflation. There is still a heavy backlog of purchasing power and of unfilled needs. Deflation may be no more of a danger in 1952 than it was in 1946, and thereafter, when the economists seriously over-estimated it.

But, barring a world settlement, disarmament, or severe cutbacks in the present building program, our danger remains the growing inflationary reservoir. Consumer shortages, as yet relatively slight, are bound to build up in 1952, and purchasing power grows no less. Yet taxation is going up too, though not so much as the situation seems to require. Manpower shortages are bound to be acute, and, unless great world changes come, conscription will hit very hard in mid and late 1952. The American economy will then reach its highest peace-time pitch. And the world arsenal of armament will surely reach a point of equilibrium with Communist power. Will that be the time for successful negotiations toward a *modus vivendi*?

While Americans realize that in many stark aspects of the cold war great gains have been made by the free nations, they are increasingly disturbed by the successes the Communists are having in other phases of the struggle. In the preparation of military power, the free nations are making great headway. But there is no assurance that a military war is the one in which the Communists are most interested. On the contrary, Americans are beginning to realize that in the war for the minds of men, they have a very long way to go.

Mr. Dewey in Asia

THE twin forces of militarism and materialism, now powerfully embodied in the United States, cannot reach these fundamentals of the world conflict.

Such men as Governor Dewey, returning from a careful trip to Asia, say the United States (and the Western nations) are losing the war for the minds of men. He urges policies based on a program of Asia for the Asians (not for the Russians) and a deep respect for Asiatic culture and pride. He points out that since the end of the second world war the Kremlin has extended its control to over 800 million people, without shedding the blood of a single Russian soldier in the last six years. He fears further Russian successes, especially in the Middle East.

Consciousness of the parlous situation extending from North Africa to the Philippines, along the southern fringes of Asia and blocking the eastern Mediterranean, has caused many Americans to call for a clarification of our purposes toward emergent peoples. The damage created in the Arab world by our politically dominated attitude toward the formation of the state of Israel is now widely recognized. And while there is much sympathy for Britain's plight, especially in Egypt, it is equally emphasized that the reinforcement of colonial privileges will not stabilize these areas permanently.

Governor Dewey also said: "We should stop trying to make the rest of the world over into our image." This, and other wise counsel from Americans who are deeply concerned at the state of the ideological war, is gradually producing a determination to revise American attitudes toward other nations and peoples, particularly those who so seriously misunderstand us.

Such awareness fringes upon the great domestic upheaval we are undergoing in the exposure of graft and corruption, in the drives against large-scale gambling, and all the other signs of moral awakening. All over the United States there is a vivid feeling that our present crisis is very largely moral. Voices are raised with great urgency demanding a return to stricter standards of business and political behaviour, and simpler ways of life. Just possibly the pinch of inflation will bring a type of consumer austerity here which would tone down the lushness of the post-war scene.

There is a long way to go in cleaning up the ethical decay which is so typical of a post-war period. But awareness, at least, has come. Investigation is in full process. Action has begun. If the United States does genuinely act upon its best principles, which are neither militarist nor materialist, it might in these years learn to be worthy of responsibilities in world leadership. About all that can be said now is that these truths are being seen and identified and proclaimed and discussed. To live up to them adequately, and to convince the world of the inner meaning of America to the cause of human freedom, is an historic opportunity awaiting adequate leadership. This is a great issue to which American voters would certainly respond, if a leader worthy of their confidence puts a sincere and practical program before them.

United States of America,
November 1951.

UNITED KINGDOM

ILLNESS OF THE KING

THE autumn was overshadowed, and public interest in even the keenest political controversy largely muted, by the dangerous illness of the King. As always on these occasions of anxiety there were many spontaneous and moving expressions of the personal affection in which His Majesty is held by his people. An operation for resection of the lung was performed at Buckingham Palace on September 23. It was immediately announced to have been successful, but such drastic surgery would have severely taxed the strength of a constitutionally robust patient, and the King had been weakened by the trouble in the arteries of the leg which disabled him four years ago. It was known that his life would be in imminent danger for at least a week after the operation, and there was fear that its after-effects would leave him permanently enfeebled. The course of his convalescence, however, has been smoother than most informed observers had dared to hope. There were no complications, so that by October 8 he was so plainly out of danger that Princess Elizabeth and Prince Philip were able to begin their tour of Canada only a week after the date originally fixed. A bulletin published on November 3 made it clear that the doctors continued to be extremely pleased with their patient's progress, although great care must be taken of his health for a long time to come. As was only to be expected, his projected Commonwealth Tour in 1952 has had to be abandoned, to the great disappointment of the three Dominions concerned; but the warmest expressions of welcome have been sent to Princess Elizabeth and Prince Philip, who are to take His Majesty's place.

Dissolution of Parliament

FACED simultaneously by diplomatic disaster in the Middle East and an imminent financial crisis at home (which is fully discussed on pp. 21-29), Mr. Attlee very reasonably decided that his majority of 6 in the House of Commons was insufficient to sustain the Labour Government through the anxieties of the coming winter. He must either obtain a more emphatic expression of the nation's confidence or transfer the responsibility to other shoulders. He accordingly announced on September 19 that he had obtained the King's consent to a Dissolution. The old Parliament met formally for the last time on October 4, and having been prorogued was dissolved by proclamation the following day, with a view to general elections on October 25.

The General Election

THE election campaign was distinguished by a quiet intensity. There was much less rowdiness than in 1945 or 1950. There was also less enthusiasm. Meetings, indeed, were crowded; but most candidates report that, for once, a majority of their audiences had come to listen to the arguments rather than

to cheer on their own side or heckle their opponents. Even questions showed an unusual spontaneity. They were put not to tease, but because the questioners really wanted to know the candidate's opinion.

The old hands at electioneering had warned candidates that it might be difficult to get the electors to the polls so soon after the last general election. The size of the meetings, however, and still more of the poll itself (it only fell by 1.4 per cent in comparison with 1950) show that the electors took their duty very seriously. But though interest ran deep and party propaganda was more violent than usual, there was a strangely impersonal quality about the contest. Individual Conservatives and Socialists remained friendly throughout, and the general mood was well summed up in the phrase, "Let's shake hands on our differences". People talked politics less than usual. Perhaps they thought about them the more.

As if sensing the sober mood of the public, both parties tended to keep their more controversial and colourful personalities in reserve. Mr. Churchill made few speeches and gave his election broadcast early in the campaign. Mr. Bevan spoke only for his own personal supporters inside the Labour party. He never broadcast at all. Mr. Eden, on the other hand, addressed two meetings or more a day in the last week of the campaign, while Mr. Attlee, with his wife at the wheel, drove from meeting to meeting up and down the country, a personal feat which reminded many, as indeed was intended, of President Truman's last election tour.

The Party Programmes

THE Socialist party's election platform consisted of two main planks. On the positive side, its record of achievement; on the negative, fear of what a return to Conservatism might mean. Socialists claimed as their own the three great post-war social reforms; the Education Act, the National Insurance Act and the Health Service. They harped on the larger pay packet of the working man, his holidays with pay and shorter working hours. They blamed the rising cost of living and the shortage of housing—the main grievances of the electors—on the rearmament programme and on the world scarcity of raw materials. Above all, they claimed to be the "peace" party and labelled their opponents in general, and Mr. Churchill in particular, as "warmongers". In one constituency, for instance, the children were taught to chant "Vote for the Tories and die quicker". This "peace" propaganda—a leaf stolen from the Communist book—proved very successful and was undoubtedly the most powerful weapon in the Socialist electoral armoury. It was accompanied by persistent warnings that a Conservative Government would bring back unemployment and slash the social services. These warnings extended all the way from serious analyses of the dangers of a deflationist policy to a whispering campaign that the Conservatives planned to abolish Old Age Pensions.

The Conservative election platform was mainly constructed out of the public's grievances over the cost of living, the shortage of houses and the decline of Britain's position in the world. The main responsibility for these developments was placed upon the Socialist Government, and Conservatives

sought to show how they would improve the situation. They also made much of the split between Mr. Attlee and Mr. Bevan. More particularly, they dwelt upon the fact that the victory of the Bevanite group at Scarborough had been followed the very next day by the decision of the Communist party to withdraw all but ten of its candidates from the parliamentary field. Mr. Pollitt had evidently said: "Why bark yourself if you can keep a dog?", and the Conservatives needed no encouragement to point the moral and rub it in. In the field of foreign policy, they sought to counter Socialist "warmonger" propaganda with the slogan, "Peace through Strength, not War through Weakness".

Three Phases of the Campaign

THE election campaign lasted for some three weeks. The Conservative party gained the initiative by publishing its manifesto first and by including in it the unexpected suggestion of an Excess Profits Tax. This killed Mr. Gaitskell's proposals for dividend limitation stone dead and threw the Socialists into some disarray. Having scored this initial success, the Conservatives settled down to an attack on the Government's failure to tackle the cost of living and the shortage of housing. This was a profitable line, but they were deflected from it by events in Persia.

The evacuation of Abadan occupied the headlines right through the first week-end of the campaign. Inevitably it became the main topic in the speeches of the Opposition leaders. This gave the Socialists the chance they had been waiting for. Conservative cries of "broken pledges" and "scuttle" were answered with shouts of "warmonger". This Socialist counter-attack proved remarkably successful where the public was concerned; so much so, indeed, that the *Daily Express*, in a desperate attempt to distract attention from Abadan, launched a demand for the total abolition of the Purchase Tax. But now fortune favoured the Conservatives. After Abadan came Suez. Persia is very remote to the ordinary Englishman, and Britain's interest in the Persian oil is relatively new. Egypt and the Suez Canal, however, have had a very definite meaning for most Englishmen since Disraeli's time, if not before. More than a million Englishmen passed through Egypt in the last war, and, in English minds, King Farouk is probably the most unpopular of foreigners. The Egyptian attempt to drive Britain out of the Canal Zone was seen as the natural consequence of Socialist weakness in Persia, and public opinion began to swing back to the Conservatives. Much of the ground which they had lost over Persia was thus regained.

In the second week of the campaign the national debate shifted back to domestic affairs and more especially to the cost of living. Here, again, the Socialists counter-attacked, citing facts and figures to show that prices had risen higher in capitalist countries than in Britain. Contrary facts and figures were produced by Conservatives and Liberals; and television audiences were treated to what became known as "the battle of the graphs". Mr. Eden illustrated his television broadcast with a narrow-based graph which showed the curve of the cost of living rising very steeply. Mr. Mayhew, for the Socialists, produced a broad-based graph on which the curve appeared much

flatter. The argument was inconclusive, but the public was left with a vague impression that the fault for high prices and taxes was not entirely on the Socialist side.

The last week-end found both parties out of breath and drained of new ideas. The Socialists, however, recovered sufficiently to launch a passionate appeal to Labour to "keep the Tories out". The Conservatives found no similar last-minute inspiration, though Mr. Churchill scored a great triumph against the "warmonger" propaganda in his eve-of-poll speech at Plymouth, when he used the famous words:

If I remain in public life at this juncture, it is because, rightly or wrongly, but sincerely, I believe I may be able to make an important contribution to the prevention of a third world war and to bringing nearer the lasting settlement which the masses of the people of every race and in every land so fervently desire. I pray, indeed, that I may have this opportunity. It is the last prize I seek to win.

The Conservative Swing Checked

WHAT was the effect of this battle of ideas upon the public? The public-opinion polls, three weeks before polling day, all showed the Conservatives a long way in the lead. They also recorded an unusually high proportion of "don't knows". This picture of the public mind was confirmed by the personal experience of most candidates. Conservatives report that, in the first week of the campaign, they were continually meeting people who had voted Socialist at the last election, but who now said that they meant to vote Conservative. A week later the polls showed that the gap had narrowed. This was only to be expected. As polling day approached, many, who had been tempted to change sides because of some particular grievance, returned on reflection to their former loyalty. An interesting change, moreover, occurred among the "don't knows". Conservative candidates began to find that instead of announcing their conversion to Conservatism, these now tended to say that they would not vote at all. The swing to the Right, in fact, had been halted.

The swing back to Socialism, which took place in the last week, was largely the result of efficient Socialist organization. The whole weight of the trade-union leaders and the shop stewards was thrown into the task of rallying the workers to the Labour standard. They failed to evoke much enthusiasm, but they succeeded in preventing countless defections and abstentions. They were helped in their task by the weather. Polling day was fine. Had it rained, many doubtful Socialists and still more of their wives would have stayed at home. As it was, they had no excuse to offer when the canvassers came to fetch them.

The final results show that, by comparison with 1950, there was very little "swing" in public opinion. By and large Conservative candidates gained a few hundred votes, and over the country as a whole the Labour lead was reduced from 2.7 per cent of the total poll to 0.7 per cent. The Conservative victory, however, as Mr. Attlee was quick to point out, was mainly due

to the fact that the Liberal party contested little more than a hundred seats, and that, faced with a clear-cut choice, a majority of Liberals voted Conservative rather than Labour. Many Socialists had cherished the hope that the hard core of Liberalism would, if put to the test, vote Left rather than Right. The best estimates, however, suggest that when there were no Liberal candidates the Liberal vote was divided in roughly the following proportion: 15 per cent abstention, 55 per cent Conservative and 30 per cent Labour. This result was no doubt partly due to the social composition of the Liberal party. It was also influenced by the decision of the Conservatives not to oppose most of the Liberal leaders, and by such gestures as Mr. Churchill's speech in support of Lady Violet Bonham Carter, daughter of the late Lord Oxford and Asquith, who was a Liberal candidate in Yorkshire. There was also the consideration that, with a Labour Government in office, Liberal broadcasts and the Liberal Press tended, in the nature of things, to devote the major part of their criticism to the Government.

The Liberal party is now a shadow of a shadow, and the election leaves Britain very evenly divided between Conservatives and Socialists. The Socialists have retained their hold on the industrial towns, the Scottish lowlands and Wales; the Conservatives on the counties, the small boroughs, the Highlands, and the residential suburbs of the larger towns. The division is primarily one of class; but not entirely so. A majority of agricultural workers almost certainly voted Conservative. So did at least a quarter of industrial workers, especially those employed in small concerns. A number of wives, moreover, thinking as consumers rather than as producers, tended to vote Conservative even when their husbands voted Labour. By a compensating process the growth of the Civil Service and of the professional staffs employed in the nationalized industries undoubtedly helped the Socialists to poll a substantial middle-class vote.

Many commentators have jumped to the conclusion that Britain is split into two nations as never before. The truth is less dramatic. The disparity between the total voting strengths of the different parties has been remarkably small ever since the first world war. What has changed, in this as in the last election, is not the voting strengths of the parties, but the distribution of constituencies, which now reflects more accurately the always very even balance of votes. Whether this more accurate representation of public opinion will make for strong government remains to be seen.

Success of the Bevanites

ANOTHER consequence of the election is worth noting. It was always reasonable to suppose that, once the Socialists went into opposition, Mr. Bevan's influence within the party would grow. This conclusion has been powerfully reinforced by the election results. For one thing, none of Mr. Bevan's supporters was unseated or even suffered a serious decline in his majority, although many of them were defending distinctly marginal constituencies. For another, as the election developed, more and more Socialist candidates found themselves, however unwillingly, resorting to Bevanite arguments. The whole attempt to portray the Conservatives as "warmongers"

inevitably led Socialists to minimize their own support of rearmament. By the same token, popular discontent with rising prices and the housing shortage has brought Socialist members back to Westminster more reluctant than ever to support rearmament on the present scale.

On the Conservative side the election results point to one definite conclusion. With so slender a majority there can be no question of the new Government's pursuing either a drastic reduction of the social services or a deflationist policy which might risk large-scale unemployment. Mr. Butler's appointment to the Exchequer, indeed, and that of Lord Leathers to run the nationalized industries, suggests that the chief purpose of the Conservative Government at home will be not to abolish the Welfare State, but to make it work.

The day after the poll the *News Chronicle* began its leading article with these words: "The nation has got rid of a Government it did not want in favour of a Government it does not trust." There is some truth in this verdict. Audiences up and down the country often showed themselves convinced by the arguments advanced by Conservative spokesmen, but doubtful whether the Conservative party really meant them. Now is the testing time. The Conservatives are committed to avoiding war, to building 300,000 houses a year, to maintaining full employment and to stabilizing the cost of living. If they succeed in fulfilling these commitments, they will regain the nation's confidence, and their sojourn in the wilderness will not have been in vain.

The New Government

THE election, which was not actually complete until November 8 owing to a postponed poll at Barnsley, where one of the original candidates had died, eventually gave the Conservatives and National Liberals 321 seats, Labour 295, Liberals 6, and others (including Irish Nationalists who will probably refuse to appear) 3. As soon as the results announced on the afternoon after polling day brought the Conservative representation to more than half the House Mr. Attlee drove to Buckingham Palace to tender his resignation to the King. This seems now to have become an established constitutional convention; no Prime Minister defeated at the polls since Mr. Baldwin in 1923 has met the new Parliament before resigning. Within an hour Mr. Churchill had accepted the King's commission to form a new Cabinet, and was ready to announce its principal Ministers the following day.

The Cabinet, as finally constituted, has been limited to the small number of sixteen members, largely by the new device of giving to some Cabinet Ministers the supervision of several departments, whose heads, while losing nothing of their rank, remain outside. Of such is Mr. Churchill himself, who has returned to the office of Minister of Defence and will co-ordinate the work of the three service Ministers who are not in the Cabinet. The choice of colleagues shows prominent signs of Mr. Churchill's loyalty to old personal associates. Lord Ismay, for instance, who becomes Secretary of State for Commonwealth Relations, was his liaison officer with the Chiefs of Staff during the war; Lord Cherwell, in the sinecure office of Paymaster General,

will no doubt continue to be his scientific adviser; and Lord Leathers, who is to be the co-ordinator of the Ministries of Transport, Fuel and Power, with the rank of a Secretary of State, was one of the ablest of the business men whom Mr. Churchill enlisted in his war administration. Lord Woolton, with a similar background and recent distinction as head of the Conservative Central Office, becomes Lord President of the Council; and the admirable appointment of Sir Walter Monckton, a tried conciliator, to the critical Ministry of Labour, recalls his association with Mr. Churchill in advising King Edward VIII during the abdication crisis.

The choice of Mr. R. A. Butler as Chancellor of the Exchequer should assure the Opposition that there will be no attack on the principles of the new social services, of which Mr. Butler, as Minister of Education in the war-time coalition, was one of the founders. It was once thought that this appointment might go to Mr. Eden, the Deputy Prime Minister, in order to give him some experience of home affairs before the time comes for him to succeed Mr. Churchill. At the moment of the Conservatives' accession to power, however, the foreign situation was so grave that it was evidently indispensable to employ Mr. Eden's great experience and talents in his old post as Foreign Secretary—the only possible alternative, Lord Salisbury, being held disqualified in present circumstances as a member of the Upper House, which he will lead as Lord Privy Seal.

Mr. Clement Davies, the leader of the Liberal remnant, was offered office (it is believed as Minister of Education), but after consulting his party decided to give the new Government general support from outside. Sir David Maxwell Fyfe is Home Secretary, with a special new responsibility for Welsh affairs, and Captain Crookshank Minister of Health and leader of the House of Commons.

The King's Speech

FOR the first time since 1895 there was a contested election for the Speakership, not apparently because the Labour party had any objection to Mr. W. S. Morrison, who was elected by a majority of 78, but in order to display their pugnacity at the earliest possible moment.

Owing to the King's illness, Parliament was opened by commission on November 6. The King's Speech, read by the new Lord Chancellor, Lord Simonds, insisted upon the priority of defence over all other considerations, but did not announce any major legislative measures under this head. After giving notice that the Government would "try to repair the injuries our rights and interests have suffered in Persia", denied the validity of Egypt's unilateral denunciation of the Treaty of 1936 and could allow no interference with the right of the Sudanese to determine their own future form of government, the Speech went on to express grave concern about the economic situation and especially the growing inflation. A searching inquiry into government expenditure was promised. The main legislative measure foreshadowed was the annulment of the nationalization of iron and steel; but this, which will occupy much of Parliament's time in 1952, is to be postponed until February. Immediate action to meet the many-sided emergency described

in the Speech lies in the administrative sphere; and the chief steps to be taken were enumerated by the new Chancellor of the Exchequer during the debate on the Address. Among them are the restriction of credit by raising the bank rate; a drastic curtailment of imports, including many categories of unrationed food; limitation of building permits, and the cancellation of many already granted, except in the domain of housing; reduction of currency allowances for foreign travel; rigorous departmental economy; and similar expedients. One upshot is that, during the immediate emergency, the Conservatives who came to office as champions of a free economy are compelled temporarily to resort to closer controls than ever; but the Government insist that meanwhile they are studying every possibility of freeing the resources of production by which alone the present stringency can be ultimately relieved. The Opposition, with every reason to know the gravity of the situation, have preserved a temperate attitude to the government proposals. Their main line of criticism is that these measures, which are estimated to make an economy of £350 million a year, still do not go far enough to bridge the gap in our trade balance. What the economic problem is will be found discussed in an article on p. 21. The adequacy of the solution proposed can scarcely be judged until the first steps now defined can be correlated with the budget of next April.

Great Britain,
November 1951.

NORTHERN IRELAND

UNDER its Constitution as first defined by the Government of Ireland Act, 1920, Northern Ireland was given the right to send thirteen members to the Imperial Parliament. One of these was from Queen's University, Belfast, but on the abolition of the university franchise this seat was not replaced. Not for this reason alone has the Province a smaller representation in proportion to its population than Great Britain. The principle operates that Northern Ireland, having devolutionary government, is not entitled to any greater share of the seats in Parliament. The propriety of this reduced allocation has always been debatable and is again in question in the light of the general election. In the outcome nine of the twelve constituencies returned Ulster Unionists, who as traditional allies of the Conservative party provide the new Government with more than half of its majority over all parties.

Even with the knowledge of the balance once exerted by the Irish Nationalist party it can hardly have been foreseen that Northern Ireland could so influence the course of national affairs. On no previous occasion have its seats been such a material factor at a general election: never before has the association between the Conservatives and Unionists proved so timely and advantageous. It may be observed, however, that even if the electorate in Northern Ireland was delineated on the same basis as in Great Britain a ratio of three Unionist seats to one Nationalist would probably be preserved, so that the very small number involved could not influence the political situation further.

Some of those who have sought to show that the Socialists received a larger number of votes than those polled for the Conservatives and their associates have ignored the four divisions in which Unionists were unopposed, an example, perhaps, of the way in which Northern Ireland, for all the bearing it had upon the result, is apt to be overlooked. Partly this is due to the intimate nature of the alliance between Unionism and Conservatism, but under present-day conditions there are many Unionists who feel that their party should not allow itself to be wholly assimilated. Support for Mr. Churchill is, of course, unconditional; yet it is in keeping with Ulster's growing political maturity that it should wish to preserve a separate identity.

Unionism, notwithstanding its strongly Liberal strain, has a large measure of affinity with modern Conservatism, but practical reasons are advanced for the retention of some freedom of action. Much as its members have assailed the Socialists on their general policy, they and the Northern Ireland Government have had to acknowledge that Mr. Attlee and his colleagues honoured every constitutional right without question and enacted the ultimate safeguard of self-determination. Despite the fact that one wing of the Labour party is against Partition, Unionists are still found who ponder the avoidance of any open quarrel, having regard to its official support for Northern Ireland as part of the United Kingdom. Such a course is not one of running with the hare and hunting with the hounds but of being ready to co-operate with any political movement that represents a substantial body of opinion in Great Britain. It is rightly said that Ulster cannot afford to alienate either of the chief parties. Fittingly, Mr. Attlee's premiership has not ended without the paying of a tribute to his attitude towards the Province. In matters of administration, as well as in the framing of the Ireland Act, his Government gave equitable treatment to an area where many special needs exist. Sir Basil Brooke, in turn, was successful in maintaining friendly relations, and the smoothness of working between his pro-Conservative administration and one so frankly Socialist over a period of six years is evidence of how well the devolutionary experiment has proceeded.

At the same time there are few in Northern Ireland who have not welcomed the change of Government. In the broad view this has been due to the belief that a new national leadership was required: more narrowly, because it has relieved the fear that another period of Socialist rule would heighten the demand among right-wing Unionists for greater regional autonomy, with a consequent strain upon the British connexion and on the essential singleness of purpose of the party. This danger may have been only postponed, yet for the time being the separatists have been silenced. With both these considerations in many minds the election was fought on lines which were probably wider than ever in the past. Hitherto Imperial general elections have been used to display Northern Ireland's fixed principles: on this occasion a large body voted directly upon the issue between Right and Left, as they would have done had they been in England. This was a manifestation of much interest since it denotes, at very long last, a conviction that the Partition settlement has been secured, and that more regard can be paid to the development, within practical limits, of normal political thought.

The individual results call for little remark. Four Unionists in the rural areas of North and South Antrim, Armagh and Londonderry were unopposed; the Northern Ireland Labour party was decisively defeated by Unionists in North, South and East Belfast and North Down, and South Down was held by a Unionist opposed by a Nationalist. The Nationalists retained their hold on Mid-Ulster and Fermanagh-South-Tyrone. In West Belfast, long a cockpit for Unionists and Nationalists, the seat was regained by a nominee of the Eire Labour party by a majority of 25 votes. This reverse has intensified the problem of the Unionist approach to the constituency, and of its general policy towards the minority as discussed in THE ROUND TABLE* recently. Where loyalties are so fervent the need is for a strong candidate, but his strength should also lie in tolerance. On this occasion sectarian issues were introduced and undoubtedly had the effect of losing the votes of some moderates and consolidating the anti-partition front. The increase in the Eire Labour poll was a deciding factor and has been a sharp reminder to the Unionist organization of the advantages of appealing to those of Nationalist sympathy who are none the less ready to accept their lot in Northern Ireland and who make no secret of their enjoyment of greater benefits than any in the Irish Republic. At this stage in its history the régime in Ulster can well afford liberality towards its opponents.

Liberality on both sides has been the keynote of the agreement between the Government and the Government of the Republic on the control of the Great Northern Railway.† Northern Ireland, in particular, has taken a rational view of the position of the railway's workshops which, although in Eire and separated from the longer section of the line by the border, are to continue to be responsible for the maintenance of the whole system. Mr. Sean Lemass, the Minister for Industry and Commerce in Dublin, who also played a part in the Erne hydro-electric scheme, is considered to have followed a very fair policy of co-operation. The spirit of the time in Northern Ireland is to be equally ready to join in measures of public utility astride the border so long as no attempt is made to draw political capital from collaboration which has nothing to say to the fundamental causes of Partition.

Northern Ireland,
November 1951.

* No. 162, March, 1951, p. 155.

† See also p. 64.

IRELAND

VITAL PROBLEMS

MR. DE VALERA'S Government have started their perilous journey in first gear and show no immediate inclination to accelerate their pace. In view of the problems which confront them this approach is both natural and commendable. But it is inevitable that the pressure of events soon will compel them to make vital and far-reaching decisions for which the people as a whole are unprepared. These problems range from the balance of trade, emigration and labour relations on the one hand to national defence and our international position on the other. Their solution will certainly involve painful adjustments before many months have passed. The general picture is quite clear. Ireland is living beyond her means. Too many people are spending too much money. For a considerable time we have been drawing upon our savings abroad and in a short time we shall have none left. In short the repatriation of our sterling assets which has been advocated by our amateur political economists like Mr. Mac Bride is now in full swing.

The Balance of Payments

THE essential facts are simple and not pleasant. The trade returns for the half year to June 1951 showed an excess of imports over exports of £73.6 million, and, according to the estimate given by Mr. Mac Entee, the Minister for Finance, in the Dáil on July 18, we shall at the end of this year be facing a deficit of some £60 million in the national Balance of Payments. In 1949 our net external assets amounted to approximately £225 million. This figure, after deduction of the 1950 deficit, less the E.C.A. Counterpart Loan, has now been reduced to £216 million and at the current rate of spending will stand at £165 million by the end of this year. Once this balance has also been spent, a situation which the Minister for Finance believes will arise by 1954, our present status as a creditor nation and the indebtedness of the sterling area to this country will both have vanished. Even if this process resulted in the creation of productive capital assets it would be doubtfully desirable. But the trade statistics unfortunately reveal that this repatriation of capital has not been so used. A critical examination of these statistics recently made by Mr. Michael Mac Cormac, one of our younger economists,* shows that the main causes of our trade deficit have been a price increase of great magnitude, an alarming drop in export quantities, an unfavourable change in the terms of trade and heavier purchases under many import categories. Of the increase attributed to quantity only some £3.5 million pounds arose from investment in producer goods, and it seems clear that should a decrease in price follow this stockpiling period there will be an active capital loss in the balance of trade. But most serious of all is the fact that our main exports of agricultural produce, which represent some 42 per cent of our total exports,

* *Studies*, September 1951.

have fallen from divers causes, which in some cases may be only temporary but in others are unfortunately of a more permanent kind. The most alarming feature of our foreign trade is the fact that while our imports from the United States and Canada last year totalled £28.3 million our actual exports were only £1.4 million. It is therefore clear that our imports from the dollar area must soon be reduced to bare essentials. If the realization of our foreign assets proceeds unchecked and measures are not taken immediately to reduce the trade deficit and increase our invisible exports, then not only our present standard of living but our total economy will suffer a serious blow.

Possible Remedies

THE possible remedies for this serious situation are varied and some of them might easily prove worse than the disease. Speaking in the Dáil on July 18 Mr. Mac Entee, the Minister for Finance, laid down certain propositions on financial policy which, although somewhat in the nature of pious platitudes, indicate the Government's approach to the matter. We should, he claimed, try to control inflation at least to the extent of not letting our money depreciate farther than that of those countries with which we have close economic connexions; if we incurred a deficit in the balance of payments it should be to improve our domestic capital or to increase reserve stocks—"mere dissipation of our external assets for immediate consumption should be avoided"; the Government should endeavour to obtain enough purchasing power from the public, by taxation or savings, to finance national expenditure; a substantial increase in savings by reducing expenditure on unnecessary consumer goods was essential; an increase in production for export, particularly in agriculture, was needed urgently; income increases should be moderate since the realities of the situation preclude full and immediate compensation for rising prices. Mr. Mac Entee added that the present predicament was grave and would have to be dealt with accordingly. The situation is indeed so grave that the enunciation of admirable principles without drastic action is not enough. To wait until all our external assets are exhausted is to court disaster, and immediate steps should therefore be taken to ensure deflation. The most practicable remedy would seem to be some method of physical import restriction,* coupled with a relaxation of the Control of Manufacture Acts, which severely restrict foreign investment here. Unpleasant as it may be to depend on foreign capital it is obviously preferable to the dangers of seeking a foreign loan with strings, economic, political and strategic, attached. At the moment national savings are quite inadequate to meet capital outlay and this deficiency must be made good, preferably by ourselves. Mr. Lemass, our competent Minister for Industry and Commerce, speaking in Dublin on October 7, stated that so great was the need to increase total production that it was no exaggeration to say that failure to achieve it within a comparatively short time would create a major economic crisis. Keeping prices down by increasing subsidies was, he said, ruled out by the fact that there was no money available which could be used for that purpose.

* Since this article was written Mr. Lemass has indicated that the Government intend, if necessary, to proceed on these lines.

By the end of the year there would be nothing left of the American Loan Counterpart Fund, which was originally £40 million. The only remedy he could suggest was a policy of harder work by everybody. Increased production is not, however, the inevitable product of harder work. Skilful management, better organization and a profitable return are also essential. Production must in short be efficient and remunerative. Our marketing methods, as compared with our chief rivals the Danes, are antiquated, inefficient and costly; the high price of imported foodstuffs is crippling our agricultural production. It is high time that the Government examined the whole field of production and marketing with a view to its modernization and improvement.

Emigration

ATTENTION has recently been sharply directed to the nature, plight and extent of our human exports, for which we receive no payment. Speaking at Galway on August 29 Mr. de Valera said that a large number of Irish emigrants who had been attracted to work in British midland cities were living in conditions of "absolute degradation". Stating that the rate of emigration per thousand of the population was now more than 50 per cent over what it was in the period between 1936 and 1946, which included the war years, he added that the saddest part of all this was that work was available at home in conditions infinitely better from the point of view of both health and morals. In many occupations the rate of wages was higher here than in Britain. This outburst of indignation naturally provoked an immediate reaction in Britain. It was pointed out by representatives of the midland cities concerned that Mr. de Valera had been guilty of a gross exaggeration, that any housing shortage which existed affected British and Irish alike and that special measures were in fact taken to secure suitable accommodation for Irish immigrants. Nor was the answer to Mr. de Valera's complaints purely British. Irish workers in Britain were not slow to point out that, in general, provisions for social welfare, wages, salaries and working conditions were better in Britain, the choice of occupation wider, and social life far more varied; while Irish workers at home indicated that Mr. de Valera could find far worse housing conditions than those he had condemned in Britain within a few miles of his own office.

A more scientific and rational dissection of the emigration problem was made by Dr. R. C. Geary, the Director of Statistics, in a paper read at University College, Dublin, on August 14. Stating that it was a gross over-simplification to suggest that emigration was due solely, or even principally, to lack of economic development in Ireland, Dr. Geary pointed out that the recent period of relative agricultural prosperity was in fact accompanied by the largest migration from our farms ever experienced during any five-year period over the past fifty years. Some authorities, he said, held the view that emigration resulted from the attractive power of the large populations of Irish emigrants in Britain and the United States, but economic conditions within the country at other periods had forced large numbers of people to emigrate. In simple terms, he said, the issue—which was of fundamental importance in the formulation of policy—was whether emigration was due to a "pull" or a

"push", and a major difficulty in the controversy was the definition of these terms. Since the beginning of the century Ireland was the only country in the world in which the population had declined. While the population of Europe (excluding the U.S.S.R.) had increased by 36 per cent since 1900 the population of the Irish State had decreased by 7 per cent. Since 1841 the population of most European countries had doubled while the population of Ireland had been halved. Principally because of the high proportion of women emigrants, and because the mortality rate is higher, the Irish population contained the lowest number of women in Europe and nearly the lowest in the world. It was a melancholy fact, he said, that probably because of the low marriage rate Irish women had a marked propensity to emigrate. But there are other imponderable reasons for emigration which are beyond the ken of statisticians. Chief amongst these are the monastic dullness of Irish rural life, and the desire to explore wider horizons which has always been one of our national characteristics. The anxiety to attain better technical training and experience also play their part in creating a situation which has left us in the unique position of having an adult population of native-born Irish abroad more than half as large as the adult population at home. And it is in the most Irish parts of Ireland that the haemorrhage is severest. While our politicians prate about the revival of the Irish language the population of our Irish-speaking districts is fleeing the country for lack of opportunity to earn a reasonable livelihood at home. Mr. de Valera has recently appointed a special Secretary to deal with this aspect of the matter. No doubt some light will eventually be thrown on these problems by the Commission on Emigration which has now been sitting for three and a half years and whose report is said to be "far advanced". It is charged with the duty of framing a national population policy and the task is certainly not easy.

Industrial Unrest

BOTH our imports and our exports have been seriously affected by the shipping strike which began on August 30 and lasted until October 5. The strike originated in a demand by the Irish Seamen's Union for increased wages of approximately £7 a month, decreased working hours, and improvement in working conditions. Having first requested the intervention of the Labour Court they subsequently refused to accept its award, which granted them the same wages and conditions as British seamen. The strike spread rapidly to the dockers and transport workers and in Dublin the port authority employees refused to carry out their duties. Finally on September 27, after prolonged negotiations, a settlement was arrived at under which the strikers obtained approximately half their demands. Difficulties then arose regarding the application of the terms of settlement to cross-channel shipping, on which both British and Irish seamen are employed. Finally after the intervention of Mr. Lemass, the Minister for Industry and Commerce, on October 3 the cross-channel shipping firms agreed to apply the terms of the settlement on all their Irish-registered ships. Thus what might have been a further extension of the strike was fortunately averted. Had it continued much longer the

British Coal Board might have been compelled to divert elsewhere a four-weeks quota of coal which we can ill afford to lose. No sooner, however, had the shipping strike ended than another started in the Dublin hotels on a demand of the employees for a charge of 10 per cent to meet service charges. This has not terminated at the moment of writing although the request of the employees is undoubtedly in line with the practice elsewhere. Trouble is also brewing on the railways, where there is a demand for increased wages although both systems are running at a heavy loss, which in the case of the C.I.E. is expected, in spite of increased rates and fares, to reach £1,640,000 this year. Another railway problem, however, has now happily been solved. Agreement has been reached between the two Irish Governments concerning the joint acquisition of the Great Northern Railway. Both Governments will bear the purchase price equally. In accordance with the recommendations of Sir James Milne in 1948 the fixed assets in each area—other than the workshops at Dundalk which will continue to be the workshops for the entire system—will be vested in the Government for that area; and all other assets, including the workshops and obligations, will be transferred to a Joint Board on which both Governments will be equally represented and which will operate the undertaking as a whole. The financial results will be apportioned on the general principle that profits and losses attributable to operations in each area will accrue to or become the responsibility of the Government for that area. This wise settlement may well serve as a headline for our slogan-obsessed politicians on both sides of the border and could eventually find a wider application. It proves conclusively that economic realities are stronger than political shibboleths.

Political Dilemmas

ON July 10 Dr. J. Ryan, the Minister for Health, informed the Dáil that the Government intended to extend the health services, including a Mother and Child Scheme, in accordance with the general intentions of the Health Act of 1947, and with the provisions and social directives of the Constitution. Although the Government have requested the medical profession to formulate a Mother and Child Scheme they have not acquainted the doctors with the details of their own proposals. They have also abolished the medical advisory body set up by Mr. Costello's Government after the resignation of Dr. Browne. As the general intentions of the Health Act of 1947, which was introduced and passed by Mr. de Valera's previous administration, clearly contemplate the establishment of a Mother and Child Scheme without a means test it would seem that any attempt to carry out its provisions must lead to a direct clash with the Irish Catholic Hierarchy, who opposed Dr. Browne's scheme. But Mr. de Valera is a much more able and experienced politician than Mr. Costello and is not likely to repeat the latter's mistakes. How he will solve this apparently insoluble dilemma remains to be seen, and the denouement cannot be long delayed. It is understood that Mr. James Dillon, the Minister for Agriculture in Mr. Costello's Government, has appealed to Rome in connexion with the Hierarchy's now notorious inter-

vention against Dr. Browne's scheme which occasioned the general election.* Such an appeal would have been more effective had it been made by Mr. Costello's Government immediately it became apparent that the scheme was likely to be objected to by the Bishops.

Another dilemma of the Government has been resolved by a free vote of the Dáil. On July 19 the House rejected by a majority of two to one Mr. Mac Bride's absurd proposal that members of the Northern Parliament should be given the right of audience in the Dáil and Senate. Mr. de Valera wisely pointed out that this would be only a fruitless gesture and would give such Northern visitors representation without responsibility. The refusal of the United States House of Representatives to consider a resolution demanding the abolition of Partition was also a knock-out blow for the Irish-American windbags who sponsored this proposal and a striking proof of the injury done to the cause of Irish unity by Mr. Mac Bride's policy of noise-making abroad. But as the witty Myles na gCopaleen pointed out in the *Irish Times* "our constitutional right to be a nuisance all over the world is indefeasible"!

The New Senate

IN the election of the new Senate, which is carried out under a complicated system, partly vocational and entirely unsatisfactory, all but ten of the former members were returned. With a few exceptions Mr. de Valera's eleven nominations added little to the dignity or value of that assembly. They contained the usual quota of defeated Dáil candidates whose claim to office would seem to have already been decided by the electors.

The King's Illness

THE illness of the King has aroused widespread sympathy and regret in Ireland, where his fine qualities and noble example are fully recognized and appreciated. It is unfortunate that the public expression of these feelings was only given official form by the President of the Republic in a furtive fashion after considerable comment on his silence had been made. The Government is of course solely responsible for this gaucherie. We have apparently not yet learnt that bad manners are the hall-mark of inferiority.

Ireland

October, 1951

* See THE ROUND TABLE NO. 163, June 1951, p. 266, and No. 164, Sept. 1951, p. 362.

INDIA

FIRST ELECTIONS UNDER THE CONSTITUTION

AFTER the precise time-table of Britain's general election, the programme for the first Indian elections under the new constitution looks extremely unwieldy. None the less the contest has been carefully organized, and if voting is protracted over a three-month period, lasting from the end of October 1951 to the end of January 1952, it is because 175 million voters have to be brought to the polls under varying local conditions which must take account of the size of the country, climate, agricultural operations and administrative convenience. Once the elections to the State Legislative Assemblies, Electoral Colleges and the House of the People are over—the total of directly elected seats is 3,772, in addition to 90 members of electoral colleges—arrangements have to be made for indirect elections for the State Legislative Councils in seven States and also for the Council of States, the Upper House in Parliament. The number of those to be indirectly elected to the legislative bodies will be 546. In addition, 73 will be nominated to the Legislative Councils, 16 to the Council of States and 8 to the House of the People. When all the seats have been filled the State Legislative Assemblies and Parliament, consisting of both Houses, will together elect the new President for a term of five years. All the elections, including the presidential election, will be completed by May next year and the new Houses will start sitting soon after. No less than 35,000 candidates have sought the official Congress ticket for Central and States constituencies. Approximately 4,000 have received the party's official *cachet*.

Under the universal adult suffrage granted by the Constitution approximately half India's population is eligible to vote. Except in certain minor States for which no State Legislative Assembly has been provided, this huge electorate will elect simultaneously at least one representative for the State Legislative Assembly and one for the House of the People or national parliament. In a double-member constituency, of which there are 666, each voter will have to elect as many as three to five representatives at one and the same election. In a Parliamentary constituency in West Bengal and a State Assembly constituency in Bombay, three representatives, including a scheduled-caste and a scheduled-tribe representative, will be elected by the same electorate. Reservation of seats for scheduled castes and tribes is provided in the Constitution for a period of ten years. Of the 3,772 seats to be filled by direct election, 489 are for the House of the People and 3,283 for State Legislative Assemblies. After all the legislatures have been elected, an electoral college formed by members of the Central Parliament and the State Legislative Assemblies will choose the new President of the Republic. The magnitude of the entire operation can be better imagined than described. Besides the enrolment of what is probably the largest electorate in the world, a staggering number of constituencies, 2,438 single-member and 666 multi-member, has

had to be delimited. Polling programmes have been fixed for the whole country from the Himalayas to Cape Comorin and special measures devised for maintaining law and order, providing postal and other conveniences to the candidates and parties, and so on. Officials have had to be trained in the mechanics of polling and electoral laws and rules, and directed to keep themselves impartial in their election work so as to ensure free and fair elections. The responsibility for conducting the elections falls mainly on the officials of State Governments. The superintendence, direction and control of the general elections have, however, been vested by the Constitution in the Election Commission appointed by the President.

The New Bureaucracy

IN the much overburdened higher ranks of the administration, the standards and traditions of the old Indian Civil Service are still tenaciously upheld. Indeed, no less an authority than the French writer André Siegfried, who toured India earlier this year and later published his impressions of the country, said that even a foreign visitor was able to detect an aroma of exclusiveness which still hangs around the few survivors of the now rapidly dwindling band of original I.C.S. In a matter of a few years no members of the old Indian Civil Service cadres will be left and its successor, the Indian Administrative Service, will be called upon to fill every post from Secretary General down to subdivisional officer. The first annual report of the Union Public Services Commission has recently made its appearance and tells us something of the quality of the new candidates for government service.

The report, which covers the period from the inauguration of the Republic up to March 31, 1951, makes somewhat disturbing reading. It expresses concern over the "progressive deterioration" in the standards of university education in the country and adds that "only a very small fraction" of candidates for open competitive tests, such as the Indian Administrative Service, displayed "any real grasp of their subjects and a reasonable level of mental development". That the Commission has had a fair opportunity of assessing the problems of recruitment may be gauged from the fact that it held 25 examinations for which there were 24,680 entrants, of whom 18,342 actually sat. These examinations were for the technical and defence services. The combined competitive examinations for the latter up to last March had drawn 2,797 candidates, of whom 806 got as far as the *viva-voce* test and 240 ultimately qualified, the first 34 of whom (in order of merit) were appointed to the Indian Administrative Services and the Indian Foreign Services. Statistically the figures are impressive, because they suggest that the standard of the written papers is high and the *viva voce* in no sense a formality. But clearly what worries the Public Services Commission is the comparatively poor quality of the ultimate intake, which it ascribes to the declining standards of university teaching.

The Commission also recruits directly, through a system of competitive interview, persons with technical, scientific or specialized qualifications to a number of special posts. These interviews are conducted by the Commission, assisted by a representative of the Ministry concerned and one or more

specialists or experts of standing. During the period under review 883 out of 6,484 such candidates were recommended for appointment and 660 kept in reserve. For no less than 120 such posts the Commission was unable to find suitable candidates. This shortfall, says the report, has been causing increasing anxiety to the Commission and the Government. The scales of pay offered are generally unattractive by comparison with emoluments offered by private employers. Where Indians with adequate qualifications were not available, the Commission recommended the recruitment of experts from abroad, arrangements being made for the training of suitable Indians by such experts during their tenure.

One category of cases regarding which the Commission need not be consulted relates to temporary appointments for periods not exceeding one year.

This provision [says the report] has unfortunately been invoked by Ministries and Departments of Government far too indiscriminately. There have been too many cases in which posts have been filled by the appointment of Ministries' nominees on the ostensible ground that the posts were temporary. A little reflection would, however, have shown that most of these posts were not likely to be done away with after one year. In many cases the Ministries' nominees have been kept in office for periods far in excess of one year without any reference to the Commission. Such nominees of Government cannot be denied an opportunity to compete for the post (when it comes to be filled) regularly on a competitive basis. The experience which they gain of the duties of the post, at the cost of the tax-payer, gives them an undue advantage over candidates from the open market.

This state of things has naturally evoked severe and widespread public criticism. The Commission are blamed for what is really the default of Ministries or departments of Government.

India,

November 1951.

PAKISTAN

ARMED MENACE ON THE BORDER

IT is already becoming difficult to write with any show of interest about anything that happened in Pakistan before October 16. So completely was Liaquat Ali Khan identified in the public mind with Pakistan, the country of which he had been Prime Minister since its birth and unchallenged leader since the death of Jinnah in September 1948, that it seems as if the fates had, with one remorseless gesture, wiped a well-filled slate clean and ordered Pakistan to work out her salvation anew.

Yet August and September were months replete with interest and incident. Indeed, in August Pakistan, inured as she has been to the atmosphere of recurrent crises in which her four years of existence have been spent, was facing perhaps the gravest crisis of the many she has encountered on her way. Ninety per cent of India's armed forces were massed on her borders, and even if Mr. Nehru's assurances that this was a precautionary and defensive measure could be accepted, the possibility that a chance incident might plunge the two countries in war—a consummation devoutly desired by the Hindu Mahasabha and other extremist bodies in India—could by no means be overlooked. Throughout August, Lahore and other border areas were infected with intense nervousness, and air-raid precautions and other civil defence measures were being hurriedly organized. The correspondence between the two Prime Ministers dragged out into lengthy arguments, and finally petered out fruitlessly. Mr. Liaquat Ali Khan was generally regarded as having had the better of the exchanges, as he was bound to have, having taken his stand on unassailable ground by repeating his offer to submit all differences between the two countries to arbitration, and pledging Pakistan to abide by the result, if the Government of India would do the same.

In this over-excited atmosphere Pakistan Day was celebrated with great enthusiasm and patriotic display on August 14. In his speech on this occasion Mr. Liaquat Ali Khan scored a palpable hit against the Indian argument that India could not give way on the Kashmir issue without admitting the validity of the "two-nation theory" which she had never accepted. Pointing out that the original partition of the sub-continent involved an acceptance of this theory—indeed, it was the Congress party which, once it had accepted the idea of partition, had insisted on the division of the Punjab and Bengal into Muslim and non-Muslim areas—the Prime Minister, Mr. Liaquat Ali Khan, quoted a telegram addressed to him by Mr. Nehru on November 8, 1947.

It is essential [Mr. Nehru said on that occasion] in order to restore good relations between the two Dominions, that there should be acceptance of the principle that where the ruler of the State does not belong to the community to which the majority of his subjects belong, and where the State has not acceded to that Dominion whose majority community is the same as the State, the question

whether the State has finally acceded to one or the other Dominion should be ascertained by reference to the will of the people.

It is precisely this that Pakistan asks and has always asked.

Minority Problems

THROUGHOUT the crisis of these months the eyes of many observers were fixed on East Bengal even more anxiously than on the Punjab frontier. Would the eleven million Hindus of that province remain staunch, or would another mass exodus similar to that which took place in the spring of 1950 provide another *casus belli*? Curiously enough, during June and the first part of July, before the Prime Minister made his startling announcement about the Indian troop movements, some sort of exodus of Hindus had begun, for reasons which have not been clearly explained. If this migration had gathered momentum, it might have been impossible to restore confidence in the minority community and bring it to a stop, but it came spontaneously to an end. The figures published by the two Governments showed marked discrepancies, but even the official Indian figures indicated that in the months of August and September the number of Hindus leaving East Bengal for West Bengal was less than in April and May, which by common consent were perfectly normal months. According to the official Pakistani figures the number of Hindus entering the province from West Bengal actually exceeded the number migrating. The figures are, however, at best, somewhat meaningless, for it has never been possible to distinguish between Hindus proceeding on their ordinary occasions and Hindus migrating. What is certain is that during these months the Hindu community as a whole decided to stand firm. Hence the foreign firms reported that they were receiving even fewer leave applications from Hindu staff than was normal at this time of year, and several Hindu leaders of East Bengal spontaneously issued statements making it clear that they had thrown in their lot with Pakistan and deploring the action of the Government of India in threatening her with troop movements. This was a most encouraging indication of the growing integration of the Hindu minority in Pakistan. It was commonly attributed to the fact that, having had a very unhappy experience of an abortive migration in the spring of 1950, the Hindus had decided that the refugee gets the worst of both worlds, and that considerations of self-interest made it advisable for them to stay in Pakistan.

By the middle of September the tension had slackened and it was generally felt that this crisis, like its predecessors, had safely passed away. As, however, the situation eased, the Pakistani press became increasingly more virulent and cast restraint to the winds in its references to the alleged oppression of Muslims in India. It was alleged that India had concocted "a monster plan" of race extermination, and terrible stories were published regarding the treatment of Muslim refugees entering Pakistan through the Sind frontier. Many of these accounts were based on government hand-outs, and the Ministry of the Interior issued a lengthy account of India's "deliberate plan to unsettle Muslims by persecution, harassment and economic and social boycott". In

refreshing contrast to this, the attitude of Pakistani public opinion towards the elections to the Constituent Assembly in Kashmir changed from anxiety and apprehension to a feeling amounting almost to complacency. The fact that the elections of Shaikh Abdullah's nominees were in almost all cases uncontested showed the farcical nature of the proceedings, and Pakistanis realized that the whole affair would help to confirm world opinion in the view that no fair expression of the popular will could be obtained in Kashmir unless an independent administration was established.

It was generally assumed that Dr. Graham, despite his patient, diplomatic approach to both sides, would be compelled in the end to report simply that he had been unable to secure any sort of agreement in regard to the demilitarization of the State, and that accordingly the Security Council would find itself under the necessity of calling upon both sides to accept arbitration, in accordance with the resolution of March 30, 1951. It was a pleasant surprise when Dr. Graham's report was released, and it was found that he had been able to hold out some hope that the two sides might be brought to agree to a demilitarization scheme. At the time of writing the Pakistani Government have not given their official reactions to the report, which in fact was issued on the day after the Prime Minister had been struck down, but present indications are that the Government will welcome the further attempts at mediation which will now presumably take place, provided that they are not allowed to drag on beyond another six weeks.

The Crime of October 16

ON October 16 occurred the shocking and senseless crime which has plunged the whole country into grief and deprived the world, no less than Pakistan, of a statesman who stood for peaceful settlement of international disputes and moderation in all things. The motive which impelled a young Pathan to assassinate Mr. Liaqat Ali Khan is still unknown. At first it was universally assumed that the assassination was the work of the *Khaksar* organization, an extremist body whose leader, Allama Mashriqi, is in jail. Later, when the police were able to announce that the assailant was an Afghan national, though he had lived for a considerable time in the Hazara district of the North West Frontier province, there was talk of an Afghan plot; this seemed far from plausible, but it is unlikely that the assassin acted on his own initiative. The probability seems to be that he was the agent of some fanatical sect which was displeased by Liaqat Ali Khan's modern outlook and policy of co-operation with the Commonwealth and the United States of America.

The nation was stunned, for Liaqat Ali Khan had been regarded as irreplaceable. It was thought that Mr. Abdur Rab Nishtar, the Governor of the Punjab, would be selected for the Premiership, because for some time past it had been rumoured that he was being brought back to the Central Cabinet to be appointed Deputy Prime Minister and groomed up as eventual successor to Mr. Liaqat Ali Khan. It had not occurred to most people that Khwaja Nazimuddin, the Governor General, would be prepared to step down from his high office and re-enter the mêlée of politics, but when he did so, on the

morrow of the disaster, there was a sudden realization of the fact that he was the very man for the job. The crisis called for the services of an elder statesman, commanding universal respect, and he was almost the only Pakistani in that category, except Sir Zafrulla Khan, the Foreign Minister, who unfortunately would not have been acceptable to orthodox Muslims as Prime Minister owing to his being a member of the Ahmediya sect. Khwaja Nazimuddin may be said to have forgotten more about politics than most Pakistanis have ever known. After some experience of Local Board work, he entered the Cabinet of undivided Bengal as far back as 1929. He was Prime Minister for two difficult war years, and at Partition became the first Chief Minister of East Pakistan. He succeeded Mr. Jinnah as Governor General in September 1948. His political and administrative record justly entitles him to the universal respect in which he is held. Moreover, strict Muslim as he is, he will not be deflected by extremist pressure from the courses which he considers right for Pakistan. "I am determined," he said in his first speech after becoming Prime Minister, "to follow the policy of Liaquat Ali Khan. Both in foreign and national affairs my policy will be guided by the golden rules set by the Qaid-e-Azam and nurtured by Liaquat Ali Khan." These are reassuring words. There is, moreover, every reason to believe that his appointment will be welcomed by India, where he is known and liked. The new Governor General, Mr. Ghulam Mohammad, is also known to have an abhorrence of war and to stand for moderation. Pakistan will miss his guidance of its financial affairs, but it was already recognized that his health was not likely to permit him to carry on the arduous duties of the Finance Minister for much longer.

The Middle East

NO aspect of foreign relations presents greater difficulties to the Pakistani Government than the question of the attitude to be adopted towards the Persian oil dispute and the Egyptian denunciation of the 1936 Treaty. The Pakistani press has made little attempt to conceal its sympathy with the Persian Government, but has resisted all temptation to deride His Majesty's Government in their predicament. Indeed, the refusal of His Majesty's Government to be stampeded into rash measures received considerable praise. The Pakistani Government have remained silent and have not revealed their attitude. In regard to Egypt, the position is even more awkward. Pakistani sympathy naturally goes out to a fellow Muslim country, and in some quarters British imperialism is made to bear the blame for the present imbroglio. At the same time, no Pakistani can forget that the Egyptian Government have never declared any support for Pakistan in the Kashmir dispute, and at times have seemed even somewhat more inclined towards the side of India. Nor can Pakistan afford to forget she is a Commonwealth country looking for Commonwealth support in the matter of Kashmir, from which it follows that she would be ill-advised to support Egypt against the rest of the Commonwealth. Another point is that Pakistan's case in regard to Kashmir depends to some extent on the sanctity of international agreements, inasmuch as the two U.N.C.I.P. resolutions which were accepted by both sides and

form the framework of the Kashmir settlement are regarded as having the status of international agreements. It would therefore ill become the Government of Pakistan to express approbation of Egypt's unilateral denunciation of a treaty freely entered into.

Economic Recession

ON the economic side the boom of the first half of the year has been followed by a recession, which, however, was prevented from degenerating into a slump by the suspension of the Korean truce talks and the acceleration of rearmament programmes. The recession was most noticeable in the cotton piecegoods market, which forms one of the main barometers of trade conditions in Karachi. It was due partly to an over-bought position caused by over-confidence during the boom, and partly to failure of the normal upcountry demand arising out of the political nervousness. Price-cutting by Japan was also a contributory factor. Numerous dealers were unable to meet their obligations, heavy stocks accumulated in warehouses and at the docks, and the consequent embarrassment to the banks formed a dangerous shock to confidence. The statistical position was, however, not really bad, and the stocks began to be absorbed with the return of the normal upcountry demand. On the export side a large cotton crop, combined with reports of enhanced American export quotas, created bearish conditions, and Government were compelled to reduce the export duty on long and medium staple cotton from Rs. 300 per bale to Rs. 180. After a period of hesitation the Far Eastern demand, on which much was recognized to depend, revived, and the present position is healthy. The oversea demand for raw jute was also hesitant during the month of September, but here too there has been such an improvement that Government have been emboldened to increase the export duty from Rs. 20 to Rs. 35 per bale.

The third annual report of the State Bank and its most recent statement regarding the balance of payments have thrown light on the extremely strong economic position of Pakistan. Gold and sterling assets had increased to Rs. 151.31 crores by the end of June, and the current account, despite heavy imports on Government account, yielded a favourable balance of Rs. 63.16 crores in the twelve months ending on the same date. Exchange control between India and Pakistan began only from February 27, 1951, but between that date and the end of June Pakistan's trade with India showed a favourable balance of Rs. 15.81 crores. "So much of good luck", observed the *Eastern Economist* of New Delhi, "within so short a period could not have been within the experience of any other Central Bank." The revenue position also remains gratifyingly strong. Although the Finance Minister can no longer hope for the big surplus resulting from the commodity boom, he can confidently look forward to another balanced budget. The sales tax in particular, in its new form, is giving an unexpectedly good yield.

Pakistan,

November, 1951.

CANADA

THE ROYAL TOUR

THE tour of Princess Elizabeth and Prince Philip through Canada has been a joyous and triumphal progress, unmarred so far by any mishap or unpleasant incident. The authorities at Ottawa, after planning the itinerary, had wisely left a wide discretion to the leaders of the communities which were honoured by a visit from the royal pair about the arrangements for their welcome and entertainment, and upon them no labor or expense was spared. The tremendous spate of loyal enthusiasm which had flowed for Their Majesties during their tour of Canada in 1939 had shown clearly that the British monarchy still had an immense hold upon the devotion and affection of the mass of the Canadian people; and there were no fears that Princess Elizabeth, as heiress to the British Crown, would not receive a similar welcome. But she had additional assets in her favor. The fame of her personal charm and graciousness had spread through Canada, and an aura of romantic glamour had enveloped her marriage to the handsome sailor prince who was to accompany her to Canada. Furthermore the serious illness of King George had stirred in Canada a flood of deep and sincere sympathy for the whole royal family; and the decision to proceed with the tour when His Majesty had not recovered completely from his illness was regarded by the Canadian people as a characteristic example of that family's high sense of duty which deserved some special tribute of appreciation.

Accordingly the pilgrimage of Princess Elizabeth and Prince Philip from the hour that they landed on Canadian soil overshadowed all other interests. It had almost equal interest for the people of the United States, the evidence being that almost half of the press correspondents who reported the royal tour were Americans. Observers who had followed Their Majesties across Canada in 1939 thought that in Quebec, the first city which Their Royal Highnesses visited, the enthusiasm of its French-Canadian population was less exuberant than twelve years ago, but the welcome given to them there only suffered by comparison with the vociferous ardor of the acclaim of the people of Ontario and the four western provinces. Wherever they went a general holiday was declared, thousands of people flocked in from the surrounding countryside to swell the cheering crowds lining the streets along which the royal procession passed, and there was fierce competition for the privilege of personal contact with them at receptions and other functions.

There were, however, widespread complaints that in many places officialdom monopolized too much of the precious time of the royal pair and that they were whisked in motor-cars so rapidly through the streets that most people only secured a fleeting glimpse of them. And as the tour proceeded various members of the press party asserted in their despatches that the arduous nature of the daily programmes was imposing an intolerable strain upon the illustrious visitors and that there must be some alleviation of it in

the interests of true hospitality. But both of them seemed to bear the strain remarkably well, and they impressed everybody who encountered them with their youthful charm, their genuine friendliness towards their hosts and their keen interest in everything devised for their entertainment. In the early stages of the tour there seemed a danger that Prince Philip with his handsome presence and democratic bonhomie would "steal the show", and it took some time for Princess Elizabeth to overcome her initial shyness and reveal her inheritance of her mother's happy faculty for giving day after day gay responses to the cheering crowds. At the time of writing the tour is only half completed, but it has proved definitely that the British Crown is, as far as Canada is concerned, a very valuable link between the nations of the Commonwealth.

The New Session of Parliament

THE Federal Parliament reassembled on October 9 and, immediately after the prorogation of its third session, which had been adjourned on June 30, a new session was opened with a Speech from the Throne which forecast a comparatively moderate programme of legislation. The Speech declared that the primary object of the session was to complete the legislation for the new scheme of old-age pensions; when the measure to be submitted as a complement to the Bill passed last session becomes law, provision for old age at the rate of \$40 per month will be available for all Canadians when they reach the age of 70, and only persons in the age group 65-70 will be subjected to a means test. The principle of the legislation has the support of all parties, but the C.C.F. will renew their contention that in view of the rise in the cost of living the proposed scale is quite inadequate to maintain a decent standard of living for elderly people who have no other resources.

The Government has also bowed to the rising tide of public protest about the cost of living, which according to the latest monthly official index is now nearly 90 per cent higher than in 1939; and, on the basis of the recommendations of a special committee which has been studying the operation of the Combines Investigation Act, it will introduce a Bill which will prohibit suppliers of goods from requesting or inducing retailers to resell their products at a maximum or fixed resale price. Bills will be submitted to give effect to many of the recommendations of both the Royal Commission on Transportation and the Massey Commission, which made a voluminous report upon the rôle that the Federal Government should play in the national development of the arts, letters and sciences; and there will be a normal crop of amending legislation designed to improve existing statutes, like the Civil Service and Dominion Elections Act. Parliament will also be asked to approve of the admission of Greece and Turkey to the North Atlantic Alliance and to sanction the despatch of substantial contingents of the Canadian army and air force to Europe for incorporation in the international force commanded by General Eisenhower.

New projects of construction and development bulked large in the Speech from the Throne. Parliament will be asked to authorize the Federal

Government to co-operate with the provincial government of Nova Scotia in the construction of a causeway for road and rail traffic across the Strait of Canso, which separates Cape Breton Island from the mainland; and there will be a Federal contribution to an extensive project of irrigation in the valley of the South Saskatchewan River, if a study of its possibilities finds that the proposed expenditures on it will be justified by the results.

Economic Views of the Opposition

THE royal visit had generated an amicable atmosphere for the opening of Parliament and the debate on the Address was free from the controversial acrimony which has often characterized it. In opening it Mr. Drew, as leader of the official Opposition, repeated the complaint which he had made last June that there was no justification for holding in the third successive year a second parliamentary session, which involved the country in unnecessary expense. He proceeded to concentrate his criticism of the Government's policies upon three main counts—the meagre results so far visible from the huge vote of 1,615 million dollars allocated by the last budget to the programme of defence for the fiscal year 1951-2; the culpable failure of the Government to take any measures to check a rise in the cost of living, which was inflicting great hardships upon a large body of the Canadian people; and the inflationary effects of a budget whose overtaxation of the public was proved by the fact that at the close of the first five months of the fiscal year the Treasury had already piled up a surplus of 502 million dollars, which was more than 16 times the surplus of 30 million dollars forecast for the whole year. Under the first count his charges were that the Department of National Defence had lulled the Canadian people "into a state of complacent optimism by boastful statements unrelated to the facts" and that, although the programme of rearmament had been started three years ago, many palpable deficiencies in it had not yet been remedied. To prove the weakness of the Royal Canadian Air Force, whose expansion had been intended as the core of Canada's contribution to the armed power of the Western democracies, he cited the evidence of a series of factual articles written by a special correspondent of the *Toronto Globe and Mail* which asserted categorically that on October 1 the R.C.A.F. had only two fighter squadrons ready to go into action. He reiterated his earlier demand for an investigation of the programme of defence by a special committee and proceeded to argue that, even if it was being efficiently managed, its results might well be nullified unless what he called "the dreadful economic disease of inflation", which he held to be now more serious in Canada than in the United States, was finally checked. So he moved an amendment asking that "adequate steps should be taken to combat inflation and deal effectively with the high cost of living".

The Prime Minister confined his reply largely to a rebuttal of the charges of the Government's apathy about the cost of living. For this purpose he resorted freely to statistics and cited figures to show that in comparable periods this year the Canadian index for the cost of living had only risen 5.6 per cent as against a rise of 7.6 per cent in the British index, and that in terms

of basic foods an hour's labor for the average Canadian worker had today greater purchasing power than in 1939. He also favored the House with a report of a personal investigation, made during his recent visit, of current prices of various goods in the American capital, and declared that he had found them in most cases substantially lower than the comparable prices in Ottawa. So, restating his objections to a general system of price control, he argued that the Canadian people must accept the high cost of living as part of the sacrifice involved in their obligation to make an adequate contribution to the cause of collective security, and he had the honesty to admit that he did not expect the proposed legislation about resale prices to make much dent in the cost of living. Later, however, he undertook to establish some time the same kind of committee as had reviewed war contracts during the last war, but this concession did not satisfy Mr. Drew, who wanted an investigation of the policies governing the expenditures for defence.

The inordinately high cost of living and the callous indifference of the Government to its consequences for all save the richer classes were the main themes of the speech of Mr. Coldwell, the leader of the C.C.F. He roundly challenged the validity of Mr. St. Laurent's statistics and arguments, and, arguing that meat was now being rationed in Canada as drastically by the purse as it was by quantity in Britain, moved a sub-amendment to Mr. Drew's motion asking for "Provision for price controls and the payment of subsidies, when necessary, so as to equalize the sacrifices our people are called upon to make at this time".

The St. Lawrence Seaway

LEGISLATION will be introduced to create an appropriate agency of the Federal Government for dealing with the construction of the St. Lawrence Seaway, and this agency will be empowered to proceed with either Canada's share of an international scheme or an all-Canadian enterprise. But the fate of the seaway is still very uncertain. When the Prime Minister held at the end of September a special conference on the subject in Washington with President Truman, he intimated to the latter that Canada was now ready to proceed with an all-Canadian scheme because Ontario's urgent need for hydro-electric power made some immediate action imperative. But, when President Truman expressed a strong preference for an international enterprise, Mr. St. Laurent, who has a similar preference, agreed to postpone any move at Ottawa until a fresh effort had been made to overcome the opposition of the obstructionists in the Congress of the United States, on the distinct understanding that, if it failed, the Truman administration would facilitate, as far as was within its power, the all-Canadian scheme. Accordingly the legislation about the seaway was again introduced in Congress in the hope that converts to it would be made by the use of the powerful argument that in the light of Canada's determination to construct the seaway on her own account, the only question now at issue was whether the United States would participate in the enterprise or permit Canada to have unfettered control of the seaway and fix the tolls for shipping on it. But the opponents of the waterway remained

impervious to this argument and the legislation has been shelved until 1952.

Meanwhile the St. Laurent Ministry and the Ontario Government have concluded an agreement in general terms for proceeding with an all-Canadian seaway, and plans of power development and arrangements for co-operation in the latter project on an equal basis have been made between the Hydro-Electric Power Commission of Ontario and the authorities of the State of New York. But unfortunately there is in the constitution of the United States a provision that no State of the union can conclude an agreement with a foreign Power without the consent of Congress; and the agreement between Ontario and the State of New York would, if challenged in the courts, almost certainly be pronounced invalid. Its existence was undoubtedly the reason why the Congressional opponents of the waterway were unmoved by the threat of the all-Canadian scheme, for they felt confident that they had the power to block it. The seaway without the power development would be an uneconomical enterprise and, since dams and power works on a river must have a base on both banks, and those which are planned are to be erected on the international section of the St. Lawrence, it is difficult to see how the authority of the Congress of the United States can be dispensed with.

The Ontario Election

A PROVINCIAL election held on November 25 in Ontario, the largest province of Canada, was a crucial test for the Progressive-Conservative party, because for the last twenty years it has been their chief stronghold and a loss of its control would have been fatal to its recovery of nationwide strength. The dissolved legislature, elected in 1948, had nearly a year of its statutory term to run, but Mr. Frost, who succeeded to the premiership in 1949 when Mr. Drew assumed the Federal leadership of the Progressive-Conservative party, decided that he ought to secure a popular mandate on his own account. At the time of dissolution the standing of the different parties in the legislature was as follows: Progressive-Conservatives 53, C.C.F. 21, Liberals 14 and Labor-Progressives (Communists in disguise) 2. Mr. Frost based his appeal to the voters largely upon the record of his administration, which he claimed to have been progressive, efficient and economical, and upon his efforts to secure more power for Ontario by the construction of the St. Lawrence Seaway, and his personal popularity, particularly among the rural voters, was a great advantage to his party. The C.C.F. party, which had been the official Opposition under the leadership of Mr. E. B. Jolliffe, a former Rhodes scholar, condemned both the old parties as tools of the capitalist interests and advocated its programme of moderate Socialism, but even the solid support of the unions belonging to the Canadian Congress of Labor, the radical wing of the labor movement, and other labor elements in the urban constituencies did not save it from electoral disaster. The Liberals early this year had chosen a new provincial leader in Mr. Walter Thomson, a Federal member, who proved a vigorous campaigner with considerable equipment in the arts of the demagogue. He indicted the Frost Ministry for

a variety of sins of omission and commission and offered as his chief allure for votes a scheme of state-aided hospitalization, to be financed by higher dues on lumber and pulpwood cut on Crown lands, which he claimed would reduce hospital bills, now very high, to a modest size. But Mr. Thomson was handicapped, first, by the revelation, upon which his opponents harped persistently, that, as solicitor in Ontario for the Department of Veterans' Affairs, he had extracted after the close of the last war in about four years from the Federal Treasury what seemed extravagantly high fees, nearly three-quarters of a million dollars, for his services; and secondly, by the unpopularity which the Federal Liberal party had acquired through its refusal to revive some form of price control. A reduced majority had been expected, but in the event the Frost Ministry swept the board. The new legislature will consist of 79 Progressive-Conservatives, 2 C.C.F., 8 Liberals and 1 Labor-Progressive.

The N.A.T.O. Meeting in Ottawa

A MEETING of the Council of the North Atlantic Alliance, which was held in Ottawa from September 15 to 20, gained in importance from the attendance of the Ministers for Foreign Affairs and Finance of virtually all its members. From the start of the discussions a distinct divergence of view developed between the delegates of the United States, who were urgent for strengthening the military power of the alliance and wanted larger contributions to General Eisenhower's international force, and the delegates of most of the European countries and of Canada, who felt that a more cautious progress with rearmament would diminish strains now appearing in their national economies and political equilibriums and that it would be more profitable to create greater political, economic and moral strength for the alliance and to take practical measures, hitherto neglected, for giving real effect to Article II of the North Atlantic Treaty. This article, among other things, commits its signatories to the buttressing of their free institutions by the promotion of conditions of stability and well-being for all of them, by the elimination of conflicts in their economic policies, and by the encouragement of mutual economic collaboration. Various European delegates argued that their countries were being asked to assume obligations beyond their power and resources; and Mr. Gaitskell, the British Chancellor of the Exchequer, went some way to endorse the thesis of his bitter critic, Mr. Bevan, by emphasizing the heavy burden that rearmament was imposing upon Britain and suggesting that it could proceed at a slower pace without any serious danger. Eventually agreement was reached to adopt a proposal of France for the appointment of an authoritative committee of twelve, which will investigate the total needs of the members of the alliance and try to achieve some sort of balance between military requirements and financial and economic capacities. There was also frank and widespread criticism of the growing disposition of the Government of the United States to sponsor new moves in policy for the alliance without any adequate consultation with the other members, and to expect the automatic endorsement of the latter. The

gravamen of the complaint about these moves was that their sole objective was to cope with the military danger of external Communist aggression, which most of the European delegates rated low at the moment, and that too little attention was being paid in Washington to what they regarded as the more serious danger of lowered standards of living and increased political unrest, which would bring grist to the mills of Communism. The latest of such American moves, the proposal to admit Greece and Turkey to the alliance, was not viewed with enthusiasm by most of the European delegates, but only Norway and Denmark opposed it as wrong in both form and substance, and in the end these countries acquiesced in it.

But the fear generated by this decision, the rearmament of Germany and the overtures to Franco, that the United States was bent upon constructing an old-fashioned military alliance, which Moscow would view as an imminent challenge, produced very substantial support for plans to organize the North Atlantic Alliance on a more democratic and less military basis. In promoting this idea Dr. Stikker, the Foreign Minister of the Netherlands and the President of the Council of Europe, gave with the strong support of Mr. Pearson, the Canadian Minister for External Affairs, an effective lead. Dr. Stikker, who was the first delegate to speak of Atlantic Federal Union, urged the Council to subscribe to a "Declaration of Intention" to unify the North Atlantic community not merely militarily but politically, economically, socially and culturally, and to appoint a committee to report upon the best methods of procedure towards this goal. On the following day Mr. Herbert Morrison gave in a speech to the Canadian Club of Ottawa his indirect blessing to this project when he predicted that "in the fullness of time there will be a common citizenship for all the peoples in the North Atlantic Community with all barriers of thought, travel, trade and understanding swept away" and when Mr. Dean Acheson intimated with some reservations his approval of it the Council, having adopted unanimously the proposal of Dr. Stikker, drafted and published the so-called "Ottawa Declaration".

After a preamble about its objectives, it announced the appointment of a Committee consisting of the Foreign Ministers of Belgium, Canada, the Netherlands, Italy and Norway, which will consider plans for the further strengthening of the North Atlantic community and particularly for giving effect to Article II of the North Atlantic Treaty. The Committee is also specifically instructed to examine and make recommendations to the Council about the following matters:

1. The co-ordination of foreign policy and frequent consultation about it, especially in regard to steps designed to promote peace.
2. Closer economic, financial and social co-operation for the purpose of promoting and assuring economic stability and well-being, both during and after the present period of efforts for rearmament, within the N.A.T.O. organization or through other agencies.
3. Collaboration in the fields of culture and public information.

Since Mr. Pearson, who as Chairman of the Atlantic Council will act as Chairman of this new committee, has been a vigorous advocate of a genuine North Atlantic Union and most of his colleagues are known to favor it, the supporters of the project feel that a notable advance towards its consummation was made at Ottawa.

Canada,

November 1951.

AUSTRALIA

THE PROGRESS OF INFLATION

EVER since the end of 1946 the Australian public has been uneasily aware of the upward movement of prices, costs and wages. Until recently, however, it does not appear to have taken their continuous increase very seriously, in spite of the warnings of economists and the attempts of politicians to use the situation to embarrass their opponents. This indifference has existed partly because public attention has been—and to some extent still is—distracted by more exciting political events, partly because the economic issues have been by no means clear, and partly because the rise in prices was, until recently, not sufficiently rapid to cause serious alarm to a large enough number of people.

In 1948 and 1949 the increase in retail prices did not exceed 10 per cent per annum, and the automatic cost-of-living adjustments in the basic wage were only 3s. or 4s. per quarter.* By October 1950, however, it became evident that the rate at which prices and wages were increasing was likely to accelerate quickly for a number of reasons, including the effects of the Korean War, the increase in Commonwealth defence expenditure, the remarkable rise in wool prices and the Arbitration Court's award of an increase of £1 per week in the basic wage.†

In January 1951 the announcement that, in the six capital cities, retail prices had increased by 4.5 per cent in the preceding quarter and that the corresponding increase in the basic wage for the ensuing quarter would be 7s. per week was greeted with widespread alarm. Many predicted that even greater increases would be announced in April, but in the event this was not so. The increases that actually occurred were about the same as in January, and, serious as this was, there was general relief that they were not greater. Indeed, many people jumped to the hasty conclusion that the inflationary pressure was passing; and they were fortified in this belief by the fall in wool prices which set in after Easter. The shock was all the greater, therefore, when it was announced in July that retail prices had risen by 7 per cent in the preceding quarter and that the basic wage would rise by 13s. per week at the beginning of August.

These increases have brought the retail-price index number to more than twice its pre-war level, and raised the male basic wage to £9. 9s. per week as compared with £3. 19s. in September 1939. Even so, they do not reveal the full extent of the inflation, for the retail-price number does not pretend to give a comprehensive measure of the increase in the cost of living, and the basic-wage rise is only one element in the upward trend of actual earnings. The latter, expressed as an average per "male unit", are at least £2 a week higher than the basic wage.

* For an account of the Australian system of wage fixation see THE ROUND TABLE, No. 146, March 1947, p. 189.

† See THE ROUND TABLE No. 161, Dec. 1950, pp. 93-94 and No. 162, March 1951, p. 183.

Moreover, these increases in prices and incomes measure only the extent to which "open" inflation has occurred in Australia. They would have been still greater had not the inflation been partly "suppressed" by rent control, the remnants of price control and certain subsidies paid by the Federal Treasury to keep down the price of tea, dairy produce, coal, and (during 1950-51), locally manufactured woollen goods. It may be held that these well-intentioned measures have made matters worse economically, whatever their social or political justification. By keeping down the prices of essential goods while the prices of non-essentials have been allowed to rise, they have contributed to the diversion of enterprise, labour and materials from the former to the latter.

Defence

THE continuance of the inflation greatly complicated the development of the defence programme.* Whereas in 1949-50 defence expenditure was £54 million, it rose to £91 million in 1950-51 and is estimated to reach £149 million in the current year. In addition an appropriation of £57 million for the stockpiling of strategic materials was made last year, and although only £9 million of this appropriation was actually spent, the remainder is being held in reserve, and is being supplemented by a further £32 million during the current year. Since the return of the Defence Minister, Mr. McBride, from the London meeting of British Commonwealth Defence Ministers last July, it has been generally expected that a defence appropriation of £200 million or £250 million will be necessary in each of the next few years. This is equivalent to about 7 per cent of national income and, while such a defence effort seems small in relation to what we achieved in the war or what Britain and U.S.A. are maintaining now, it imposes a serious strain on the Australian economy in the present inflationary situation.

The strain is twofold. On the one hand extra funds amounting to perhaps £100 million will have to be found; and if further inflation is to be avoided they will have to be found without resort to Central Bank Credit, which means that taxation of loan subscriptions must be increased. On the other hand, materials and resources representing directly or indirectly the annual labour of over 100,000 workers will have to be diverted to defence projects.

For some time these problems have been under the scrutiny of a National Resources Planning Board which was established last December and which comprises nineteen members, including the Prime Minister, the heads of important Commonwealth Departments and some industrial and trade-union leaders. In July nine consultative committees were established to advise the Federal Cabinet on the problems of making transport, power and materials available for defence purposes. It has been evident for some time that the development of the defence effort is limited by deficient production of basic materials, services and foodstuffs. The repairing of these deficiencies is not only necessary for civilian development but is also a necessary preliminary for the expansion of the defence programme.

* See THE ROUND TABLE, No. 161, Dec. 1950, pp. 90-93.

The Government's legal power to allocate materials for defence purposes in time of peace, however, is subject to some doubt, particularly since the High Court's ruling on the Communist Party Dissolution Act. In the hope of strengthening the legal basis of any action that may be necessary, a Defence Preparations Act was passed by Parliament during the brief post-election session of Parliament, which lasted from June 12 to July 14. This Act purports to give the Federal Government power to make regulations diverting resources, including "money, materials and facilities", to defence purposes, but expressly excludes the compulsory direction of labour or compulsory military service.

The first regulations gazetted under the new Act were for the control of capital issues. This former war-time control was reintroduced last February, and although it had not been very restrictive in its operation its validity had already been challenged in the High Court. Hence the regulations have been gazetted afresh under the new Act in the hope that they will thereby survive challenge. In the meantime they are already being applied much more stringently than heretofore.

Production and the Communists

INFLATION is often defined, not inaptly, as "too much money chasing too few goods". It would seem to follow that inflation could be checked *either* by reducing the flow of money *or* by increasing the flow of goods. This simple antithesis, however, is somewhat misleading, since low productivity per man is as much the result as the cause of inflation, and in the short run the most immediate way of increasing the flow of goods is to reduce the flow of money. The latter course may be unpalatable, but to raise productivity by introducing new techniques or by changing the psychology of workers and managements is a long-term project, requiring something more than pious exhortations. The Government has, however, attempted to grapple with the aspect of the problem that is presented by the disruptive activities of communist minorities in the trade unions. For this purpose two measures were promoted in the June-July session of Parliament. It should be observed, however, that neither measure is intended solely as an anti-inflationary device, since both have a wider political significance.

The first was the amendment of the Conciliation and Arbitration Act so as to provide for secret ballots in the election of trade-union officers, to permit such ballots to be conducted by a Commonwealth officer at the request of a stated proportion of the members of a union, to give the Arbitration Court power to order secret ballots in connexion with industrial disputes and to clarify the Court's power of enforcing its awards by the issue of injunctions and by committal for contempt. The avowed purpose of these amendments is to weaken the power of Communist minorities in the trade unions and to deprive them of the opportunity of organizing disruptive stoppages in key industries, particularly those whose output is important for defence purposes. On the other hand, it is claimed by the Opposition that the amendments will stimulate rather than eliminate industrial disputes since they have been enacted in face of the official opposition of the trade unions.

The second measure referred to above was an Act for a referendum to give the Federal Government power to make laws "with respect to communists or communism as the Parliament considers to be necessary or expedient for the defence or security of the Commonwealth"; and in particular, make a law in terms of the Communist Party Dissolution Act of 1950 which the High Court declared invalid last March.* Encouraged by its election success last April and perhaps by an early Gallup poll which predicted a majority of 70 per cent in favour of the proposed amendment, the Government seems to have taken its success as a foregone conclusion. The Opposition, however, embarked on a vigorous all-in campaign against the amendment and exploited to the full the electors' reaction against "more power for Canberra". The result was that when the referendum was held on September 22 "No" majorities prevailed in three States and there was a "No" majority of 52,000 in the Commonwealth as a whole.

The Anti-Inflation Conference

DURING the parliamentary session and since, the Opposition has persistently advocated the restoration of Federal price control as a remedy for inflation.†

The Government has shown no enthusiasm for this proposal. Its attitude can be easily understood when it is recalled that the Federal system of war-time price control was really a system of profit control, since it allowed a firm to charge prices sufficient only to yield the same aggregate profit as it earned before the war. The system applied principally to ordinary manufacturing and trading businesses, special arrangements being necessary to deal with primary producers. However, the aggregate profits of both companies and unincorporated businesses (other than farmers) account for less than one-quarter of national income. The stabilization of this quarter alone would serve to retard, but not to prevent, price increases. It only prevented them during the war because it was supplemented by wage pegging, rent control and various subsidiary schemes to prevent any increase in the local price of imported or exportable goods.

It may have been in order to explore the possibility of some voluntary agreement between employers and trade unions to limit wages and profits, as in Britain, that the Prime Minister summoned an Anti-Inflation Conference in Sydney on July 30. The conference lasted for two days and was attended by State Premiers and Prices Ministers, representatives of trade unions, manufacturers, traders, farmers and the churches.

At the conference the trade unions declared themselves against wage-pegging "at present". The manufacturers' and traders' representatives supported the unions in their opposition to wage pegging but declared themselves opposed to price control also. The attitude of the trade unions was further clarified at the biennial congress of the Australian Council of Trade Unions, held in Melbourne at the beginning of September. The congress

* See THE ROUND TABLE, No. 163, June 1951, p. 285.

† For an account of the circumstances leading to the abandonment of Federal price control, see THE ROUND TABLE, No. 152, Sept. 1948, pp. 812-13.

declared that it would not agree to any system of straight-out wage pegging, even if profit limitation were introduced.

Public Works

IN the expansionist atmosphere of the last few years and under the impact of rising costs, expenditure on public works has grown like a snowball. For some time it has been customary to finance Commonwealth public works from tax revenue, and State and local-government works (including housing, for which the Commonwealth makes advances to the States) from loans. Last year the Commonwealth also financed from loans its expenditure of £29 million for War Service homes and land settlement. The Loan Council in September 1950 approved the borrowing of £175 million of loan money for State public works, including housing, and of £71 million for semi-governmental and local-authority works. However, only 75 per cent of these sums was to be raised immediately. The raising of the remainder was to be considered later in the financial year, if it were needed, and in the meantime the States were exhorted to prune their works programmes.

In June 1951 a special meeting of the Loan Council was held at which the States finally agreed to forgo, not 25 per cent, but less than 6 per cent of their borrowing programme in the fiscal year 1950-51. They were warned by both the Prime Minister and the Treasurer that the money market was becoming tighter and that the public subscriptions to Commonwealth loans were declining alarmingly. This was partly because of the increase, in spite of capital-issues control, in the number of new industrial issues coming on to the market in order to finance the development of private industry, which has blossomed as luxuriantly as public works. The annual expenditure on new capital equipment and buildings is estimated to have increased from £74 million in 1947 to £131 million in 1950. In addition, both institutional and private investors had shown an increasing preference for industrial securities over government securities. Unlike the latter, the former appear to give some protection against inflation because they carry the possibility of bonus issues and rising dividends. In order to counteract this preference on the part of investors, the Twelfth Security Loan was offered at a discount and there was every sign that before long higher interest rates would have to be offered.

In July further steps were taken to reduce the pressure on the loan market. One was the re-gazetting and the tightening up of the control of capital issues, already referred to. A second was a further tightening of bank credit, particularly by limiting to two months, instead of three, from the date of shipment the period for which importers can defer buying sterling exchange to meet their liabilities. The Commonwealth also proposed to the States that they should legislate to restrict the financing of the sale of the less essential types of consumer goods by hire-purchase arrangements. Most immediate, and perhaps most important, the Commonwealth withdrew the arrangement under which firms had been able since 1946 to deduct from their taxable income 20 per cent, and more recently 40 per cent, of the purchase price of new plant, in addition to normal depreciation allowances. The withdrawal of this special initial depreciation allowance will not only make new industrial

investment less attractive, but it will also increase the current returns from company taxation.

In August the Loan Council met again to consider the borrowing programme for the fiscal year 1951-52. It was found, however, that in spite of the above measures the estimates of what the market could provide were far below the requirements of the States. According to the Federal Treasurer only £158 million of new money was likely to be forthcoming during the coming year, but the combined requirements of the States and of the semi-governmental and local authorities amounted to £375 million, and in the course of the discussions this was increased to £388 million. In addition, the Commonwealth asked for £124 million to cover the civil works that it normally met from revenue. This request was subsequently withdrawn, and the States agreed to cut their own demands from £293 million to £225 million, exclusive of semi-governmental and local authority borrowing. The rate of interest offered on Commonwealth loans was raised from $3\frac{1}{8}$ per cent to $3\frac{3}{8}$ per cent, with a corresponding increase in the rates on semi-governmental loans, but even so, it is doubtful whether anything like the sums proposed can be raised by public subscriptions. Already the Thirteenth Security Loan, which was offered at the new rate has closed, under-subscribed by nearly 20 per cent.

This reduction in the loans approved and the funds available for public works has caused embarrassment, particularly to the State of Victoria, where the public works programme has, in the words of the Prime Minister, "ballooned" in recent years. This is the result of the simultaneous ripening of a number of ambitious schemes for water storage and irrigation, the development of hydro-electric power and the fuller exploitation of the State's brown coal deposits, including their use for gas production. The State Electricity Commission's Loan programme alone amounted to £24 million. Faced with the need for enforcing substantial cuts in the projects and dismissing employees, the State Premier appealed for another meeting of the Loan Council to reconsider its decision, and suggested that the States should be allowed, in return for the issue of debentures, to use abroad £80 million of the London balances held by the Commonwealth Bank. While this proposal would not have added directly to the supply of money in the country, it would have prevented its being absorbed on the purchase of imports, and would have reduced the overseas reserves available to meet an adverse movement in the balance of payments. The Commonwealth rejected this proposal and the State is now faced with the task of establishing priorities among its projects. It is extraordinary that this was not done sooner, and the whole episode illustrates the degree of financial irresponsibility which is fostered in the States by the present system of financial relations, under which the unpopular task of raising money is left to the Commonwealth while the popular task of spending it remains with the States.

The Budget

ON several occasions before the budget, which was brought down on September 26, government spokesmen had expressed their intention of relying on fiscal policy as a major weapon against inflation. This implied

budgeting for a surplus, to be attained principally by higher taxation, but also by economies in government expenditure. As one means of carrying out the latter policy the Prime Minister announced last July that the number of public-service employees would be reduced by 10,000. No dismissals were made until September, but they are being proceeded with in spite of criticism from public-service organizations. The Commonwealth public-works programme has been reviewed and will entail an outlay only a little higher than last year, in spite of the increase in constructional costs. In his budget speech the Treasurer also announced the withdrawal of the subsidy on home-produced woollen goods. This, combined with an earlier decision to place a limit on the dairy-products subsidy (which has caused something of a crisis over butter prices in Queensland and New South Wales), has enabled the Government to budget for a reduction in its outlay on subsidies. Moreover, the Government has not this year to meet any large non-recurring expenditure like the payment of war gratuities last year. Nevertheless these economies have been more than offset by the increase in defence expenditure (mentioned above), the need for increased payments to the States to enable them to balance their budgets, an increase in old-age, invalid and widow's pensions and a general rise in administrative costs. The total increase in expenditure is nominally £143 million, from £784 million last year to £927 million this year. The actual increase when allowance is made for loan transactions and for payments into and out of various reserve funds is much less, the probable figure being under £100 million. In view of the progress of the inflation it is a considerable achievement that the Commonwealth should have been able to limit the increase in its expenditure to this modest figure.

The budget provided for all-round increases in taxation, the effect of which will be to raise estimated revenue to £1,041.5 million. The principal tax proposals are an increase of 10 per cent in personal income tax, an increase in company tax, bringing the rate for public companies to 9s. in the £, the abolition of the averaging system on the incomes of primary producers in excess of £4,000 (thus exposing last year's peak incomes to taxation at current rates) and an increase in excise duties and sales taxes, particularly on less essential commodities.

These proposals are estimated to yield a nominal surplus of £114.5 million, at least half of which will probably be required to bridge the gap between public loan subscriptions and the borrowing programme approved by the Loan Council. In effect practically all Commonwealth public works and between one-quarter and one-half of the State public works seem likely to be financed this year from taxation.

The Government's policy of combining economy with higher taxation is being criticized from two quarters. The Labour Opposition alleges that it will plunge the country into deflation and depression. On the other hand, a section of the press normally sympathetic to the Government alleges that the increase in taxation, by reducing incentives and productivity, will stimulate more inflation, the implication apparently being that public works should be cut still farther, even to the point of abandoning the development programme. The Government's view is clearly that it cannot allow too drastic an inter-

ruption of the power, fuel and transport projects, all of which, to quote the Treasurer, "are of the highest priority on both defence and development grounds". What is proposed, therefore, seems a sensible compromise between dropping the development programme (which would be impracticable anyway), and allowing it to continue unchecked without regard to its inflationary consequences. While the policy of the Government is to this extent anti-inflationary and is directed at checking the upward movement of prices and costs, it is not intended to force them drastically downwards. Its purpose is "disinflation" rather than deflation. Whether the Government succeeds in its attempt at price stabilization will depend very largely, however, on the course of overseas prices during the next twelve months.

Wool

IT remains to comment briefly on what is apparently the basic assumption underlying the budget. "It would be a mistake", said the Treasurer, "to assume that all or even a main part of inflation in Australia is due to external causes. Preponderantly it is of local origin." Thus while the budget does something to tackle the problem of excessive internal investment it does little or nothing to counteract the inflationary effects on high international prices for Australian imports and exports.

The official view that such action is unnecessary would be vigorously disputed by many economists, particularly in view of the fact that high wool prices alone added about £400 million to our national income last year, and strongly influenced the Arbitration Court in its decision last October to grant the £1 per week increase in the basic wage. However, the Treasurer, and the Country party which he leads in the Government coalition, are openly opposed not only to any appreciation of the exchange rate, but also to any differential taxation of farm incomes. It is true that, as noted above, the abolition of the averaging system will expose last year's incomes to higher tax rates than would otherwise have been the case, but the wool-tax prepayment plan introduced last year has now been abandoned. Moreover, the rejection by the wool growers at a referendum held in August of the proposed wool stabilization plan places the Government under an obligation to return to growers £45 million collected, by a 7½ per cent levy on sales, in anticipation of approval of the scheme, *plus* a further £63 million derived from the disposal of war-time stocks by the Joint Organization.

The rejection of the stabilization plan, which provided for a reserve price, is at least consistent with the Australian refusal to participate in the ceiling-price scheme mooted at the International Raw Materials Conference in Washington. The position now is that the price of wool is absolutely free to move either up or down. So far this season it has shown extraordinary irregularities. The Government seems to be relying on the market to stabilize itself.

Australia,
November 1951.

SOUTH AFRICA

THE HIGH COMMISSION TERRITORIES

SEVERAL recent pronouncements by Dr. Malan, the Prime Minister of the Union, have raised again, in a somewhat more acute form, that problem of the relationship between the Union, Great Britain and the High Commission Territories of Basutoland, the Bechuanaland Protectorate and Swaziland which was discussed in the March 1950 number of *THE ROUND TABLE* under the heading "A Trust in Africa". Dr. Malan's speeches have varied in stress and intensity, though there has been no real self-contradiction in them. There have been moments when the line

"Letting 'I dare not' wait upon 'I would' "

has risen almost irresistibly to one's mind. Summing up all these pronouncements it would seem that it is Dr. Malan's intention to make the question of the High Commission Territories an important plank in his electoral platform in 1953 and, if he is successful in the election, to approach the Government of the United Kingdom formally through the prescribed method of resolutions of both Houses of Parliament in terms of section 151 of the South Africa Act. If this analysis of the position is correct, it would seem that the United Kingdom has some two and a half years in which to make up its mind before the issue becomes likely to cause an open and public breach between the two Commonwealth States concerned.

British opinion must not look to the United party to interpose any very formidable barrier to this process. The United party has more than once disappointed sections of its supporters when it has had to choose between taking a strong and unpopular line and merely temporizing. The difficulty of the United party is largely the difficulty that South African opinion generally is in favour of the incorporation of the High Commission Territories. This applies to supporters of both parties and members of both European sections. It is quite true that the United party would not approve of the methods used by Dr. Malan or of his tendency to force the pace. Friendship with Great Britain is one of the keynotes of United party policy, while there are those in the National caucus who are quite prepared to goad Dr. Malan on to an open breach with Great Britain, which would suit their book very well. What could be a better case for secession from the Commonwealth than an open quarrel about these Territories?

Non-European opinion in the Union, so far as it is articulate, is all but unanimously against the proposed incorporation. The non-Europeans feel their own experience of the Union Government is such that they would not willingly see other non-Europeans brought under the same rule. This opinion appears to be even more strongly felt in the Territories themselves. Making all allowances for possible exaggeration and for the fact that not infrequently the articulate political leaders do not voice the opinion of the silent masses, it still seems to be true that the African people of these Territories are deeply

and strongly opposed to incorporation and that there is no large or significant section of influence within their borders which is in favour of it. Particularly unfortunate from the Union's point of view is the fact that this opposition is keenest of all in Basutoland, the only area completely surrounded by Union territory and the one which the Union would probably most like to incorporate. Moreover, in contrast to Bechuanaland and Swaziland which are Protectorates, Basutoland is a Crown Colony and its inhabitants are thus British subjects.

Apart from opinion in Great Britain and generally outside the Union there is one other field of public opinion which must be taken into account. It is that of Southern Rhodesia. If the Bechuanaland Protectorate is to be transferred from its present political status, many Rhodesians feel that at least the northern part should be incorporated with Southern Rhodesia rather than with the Union, and they can point to a promise to this effect by His Majesty's Government in 1896 which has never been revoked. This opinion has been growing during recent years and in the case of the Bechuanaland Protectorate Rhodesia's view must be taken into account, especially in view of the growing population and importance of Southern Rhodesia.

The Case for Incorporation

THE Union's case is strong—stronger than is sometimes realized—and we shall not be able to form a sound judgment on the issue in general unless we understand that case. While it may be claimed that section 151 of the South Africa Act does not commit Great Britain to handing the Territories over to the Union, there is no doubt at all that such a course was actively contemplated when the South Africa Act was passed. To wait forty-one years and then to introduce considerations which may mean waiting for another hundred years certainly does not seem to correspond with the spirit of section 151 of the South Africa Act. Quite apart from any possible pledges, many South Africans feel that the transfer of these Territories is ultimately inevitable, that one cannot go on indefinitely maintaining the present position, and that there is no other State except the Union to which at any rate Basutoland and Swaziland could be transferred. Many Union thinkers feel that there would be no "oppression" in these Territories. The Union's Native policy is seen at its best in the Reserves and would not these be huge Reserves? The fact that no franchise might be given them in the Union Parliament would not put them in any worse position than that in which they are today, where they are also legislated for by a Parliament in which they have no representation. It is true that they would come into contact with the Pass system and other less desirable features of Union administration when they crossed into the neighbouring provinces to seek employment, but they come into contact with those features today. Whatever may be said as to ultimate theory there is a case for maintaining that in practice a transfer would not cause harm or suffering to the populations concerned. It is widely felt in South Africa, moreover, that Great Britain has never been really ingenuous in this matter. In the days of General Hertzog a joint committee representing Great Britain and the Union was brought into existence. It was understood

that this committee would meet regularly and that its object would be to prepare the way for a friendlier attitude within the Territories towards Union control. This policy has never been formally repudiated by the British Government, but no one who knows the facts of the situation would claim that that Government has done anything to encourage the meetings of the joint committee or that its policy during recent years has been one of smoothing the path of incorporation. On the contrary, far-reaching policies have been introduced with a view to making the Territories economically less dependent on the Union, and the tendency has been to assimilate them to Crown Colony administration elsewhere.

The Case against Incorporation

SUCH is the Union's case at its strongest. The most important aspect is perhaps the sentimental one of national pride, for economic advantages would not be great and the administrative disadvantages would bring corresponding disadvantages to an already hard-pressed public service in the Union. Nevertheless it is a strong case. The British case is equally strong. If stress is laid on the pledges given in section 151 of the South Africa Act, the United Kingdom Government, if it were not too polite to do so, could well refer to the sanctions given by sections 35 and 152 of the same Act. It, too, might, in decorous diplomatic language, make reference to the "dead hand of the past". It could point out that the South African Government has acted as though the safeguards contained in the Schedule to the South Africa Act have become meaningless since the passing of the Statute of Westminster and the Status Act, and that opinions in the Union, in the High Commission Territories and in the world outside have changed very much since 1910. Ultimately any British Government of whatever party is faced with the fact that the voice of the inhabitants themselves is resolutely and all but unanimously against transfer and that opinion throughout the African colonies supports the feelings of the inhabitants vehemently. In this connexion, it is worth recalling the words of General Hertzog in 1925:

our position has always been as a party that we are not prepared to incorporate in the Union any territory unless the inhabitants of that territory are prepared to come in . . . All I can say is, I consider the time has come, provided that the people—your natives as well as Europeans—are prepared to come into the Union. If they are not, very well—I am not prepared to have them incorporated in the Union.

There is no doubt about it that agreement on the part of Great Britain to the transfer of the High Commission Territories would have immediate and startling repercussions in West Africa and might imperil the relationship between West Africa and the Commonwealth. Even in East Africa it is by no means certain that there would not be difficulties.

The emotional issues on both sides, while they do nothing to clarify thought, are important. In Great Britain the strong and increasing opposition to "colonialism" and the passionate defence of the rights of man, together with the widespread condemnation of the colour bar in the Union, would make it most difficult for any British Government of any party under existing

conditions to negotiate freely with the Union Government. There has not been any widespread spontaneous resentment in the Union against the maintenance of the *status quo*, but if it is made an election issue such a feeling is likely to develop. No doubt with sincerity and certainly with great skill Dr. Malan has played on the emotional make-up of the Afrikaner people by suggesting that the existence of territories within the borders of the Union controlled by the government of another State is a challenge to South Africa's sovereign independence and an insult to its national prestige. It can easily be seen that emotional issues of this kind may have incalculable results.

The Threatened Deadlock

IT may well be asked what will happen if Dr. Malan has his way. Let us suppose that he makes the High Commission Territories an electoral issue and that after winning the election he manages to get a formal address delivered under section 151 approved by majorities in both Houses of the Union Parliament. Let us suppose too that Great Britain either distinctly refuses or evades the request—and no third course seems to be politically possible—what then? Does Dr. Malan propose to use military force to annex these Territories? It seems almost mischievous to suggest a policy which would virtually be a declaration of war against the United Kingdom. Dr. Malan has not himself at any time suggested that he would go to such extremes, and so we may surely be justified in eliminating this possibility. What other course is left to him? He has threatened to treat these territories as "foreign states", which presumably is to isolate them economically and to bring pressure to bear upon them and upon Great Britain by so doing. But this is a game that two can play. The present relationship between the Union and the High Commission Territories is one of interdependence, for the Territories need the Union's goods and the Union needs the Territories' labour. It is by no means sure that the Orange Free State, Nationalist centre though it be, would actively support a policy which would withdraw all Basuto labour from its farms. It is therefore unlikely that economic pressure could be used effectively to force Great Britain's hand. One feels ashamed to discuss these possibilities and yet they must be faced if we are to go thoroughly into the question with all that Dr. Malan's pronouncements involve. Supposing that economic pressure breaks down, what other course is left to the Nationalist party? To judge by Dr. Malan's own pronouncement, the consequence of a deadlock could be capitalized as propaganda in favour of the creation of a republic. Now this no doubt would suit the book of Mr. Strydom and others in the Nationalist party, but would it solve the problem of the High Commission Territories?

The fact remains that we are before one of the really intractable problems which occasionally arise in human affairs. There does not seem any adequate answer to the strong case which can be put up by each side. All that can be done at the present time is to offer some practical suggestions which may help to clarify and also to improve the situation and which may make a solution which is impossible in 1951 possible in the future.

In the first place, since it is the Union which is taking the initiative in the

matter, it would seem that a transfer of the discussion to the field of safeguards and their legal sanction would be very much more fruitful than a continuation of the discussion on the general merits of incorporation. It is for Dr. Malan to indicate what safeguards he is prepared to offer for the Territories as a condition of incorporation and what legal undertaking he can give that these safeguards will in fact be observed. It is not certain that the safeguards contained in the Schedule would satisfy British opinion or the opinion of the Territories, even if incorporation were agreed upon.

In the second place it may be urged that a convention should be drawn up about joint education, health and technical services between the Union and the Territories. The decision taken in 1950, and now happily postponed for three years, to close Union educational institutions to students from the High Commission Territories shows the practical dangers inherent in the present position. Surely co-operation in these fields is good and should be encouraged. The High Commission Territories can never, out of their own resources, provide the scientific and technical services or the medical and general education which are easily available by co-operation with the Union. While Great Britain may well feel that she cannot hand over the Territories against the clear wish of their inhabitants, she may surely feel that legitimate steps to increase friendship between these neighbouring States and the Union should be undertaken.

These considerations lead us in the third place to an appeal for the revival of the joint committee set up in the days of General Hertzog and the general mandate to work for the integration of services where this is possible and the fostering of goodwill between the Union and its neighbours. No British Government would make a mistake in going as far as this while at the same time refusing to force Union control on areas opposed to it.

The fourth and most fundamental suggestion is that South Africa's Native policy must be remoulded to harmonize more closely with the spirit of the modern world. It is by such a change of policy that the Union is most likely to secure the consent of both Great Britain and the Territories to incorporation. The Union cannot have it both ways. If it desires to tread its own path, isolated from the great currents of world opinion at the present time, it cannot expect the world to acquiesce in any expansion of its powers and responsibilities. If it wants that self-expansion it must take account of what the people in the world feel today.

It is, of course, far from certain that Dr. Malan will win the election of 1953. If he fails and if Mr. Strauss comes into office it can be taken for granted that the method of proceeding by an address in the two Houses of Parliament and thus bringing the whole matter to a head will be replaced by less formal and more friendly approaches. Even if the United party attains power, nevertheless the fundamentals of the relationship between the Union and the High Commission Territories will still remain and the political considerations stated above will still have to be taken into account by statesmen both in South Africa and in the United Kingdom.

South Africa,

November 1951.

NEW ZEALAND

/ GENERAL ELECTION

THE circumstances that led to the dissolution of a Parliament that had more than a year to run have already appeared in THE ROUND TABLE.* The Government claimed that its handling of the strike had been challenged by the Opposition, which also made grave charges against the Government for improper use of the powers taken under the Emergency Regulations. "Therefore", said the Prime Minister (Mr. S. G. Holland), "it is necessary for the Government to appeal to the electors." It is possible that he also shrewdly calculated that inflation and the high cost of living, both steadily rising, might make it more difficult for his party to achieve success in an election in 1952. While the National party appealed to the electors to approve the action of the Government in its handling of the strike and events connected with it, the Labour party, avoiding this issue as much as possible, concentrated most of its attention on what it claimed were the broken promises of the Nationalists, in its failure to settle the strike sooner by a compulsory conference and to deal with the problem of the increased cost of living. Apart from these main issues both parties had common ground in offering benefits to the electors.

The National party announced its intention to govern in the interests of all; to guard the financial strength of the Dominion by refraining from the creation of paper money; to increase the number of homes; to foster immigration of the right sort; to lessen taxation (particularly of the poorer taxpayers); to increase subsidies of essential goods such as bread, flour and butter, and to extend subsidies to cover tea, gas and petrol; to provide incentives for greater production of primary products, for farm development and closer settlement; to continue to allow State tenants to buy their State-owned houses; to double the amount, payable at age 65, of the Universal Superannuation (£75 instead of £37. 10s.) and the amount of the annual increment (£5 instead of £2. 10s.), though the benefit, hitherto exempt, would be subject to taxation. The party also promised that, if returned, it would amend the law so as to reduce the possibility of any renewal of the methods by which the country had been held to ransom by stoppage of work on the waterfront, often at the very period when our exports of meat, butter, cheese and wool to the United Kingdom were at their maximum, and to ensure that all disputes should be settled by conciliation and arbitration.

Naturally the Nationalist party gave prominence to what it claimed it had achieved in its twenty months of office: freedom from "the shackles of socialism"; the building of 16,400 houses in the past year as against 15,200 under Labour in 1949; the granting of £2 million Christmas bonus to aged and other pensioners, and of £3 million bonus for children under family benefit; the removal of the 33½ per cent surcharge on unearned

* See THE ROUND TABLE, No. 164, September 1951, p. 395.

income; abolition of import control over some hundreds of items; and the reduction of losses on Government Railways, Post and Telegraph Office, and National Airways.

The Labour party's election programme, announced by its leader (Mr. Walter Nash), was very attractive and devised, no doubt, to appeal strongly to the working classes. It included financial assistance for purchasing farms; decrease in the cost of living by reintroduction of subsidies on food; maintenance of price control; exemption from social-security tax on incomes from superannuation or annuities up to £400 per annum of persons over 60 years of age; cost-of-living bonus of £26 to all superannuitants; increase of £4 weekly in the basic rate of pensions; increase in social-security benefits to widowed pensioners, and in family benefit to 12s. 6d. per child weekly; provision of dental, ambulance and optical benefits; establishment of health centres; forty-hour week for nurses; finance at 3 per cent for new houses; a grant of £10 for purchasing books and uniforms for each child entering a secondary school; reintroduction of medical and dental bursaries; provision at hostels and residences for public school teachers; reduction of difference in wages for men and women until equal pay is reached; compulsory conference where conciliation and arbitration break down; abolition of the Board of Trade; reintroduction of import control; closer land settlement; guaranteed prices to farmers; assistance to ex-service men in acquiring farms; provision of new fertilizer works; opposition to restoration of the Upper House; taxation concessions to companies for expanding business; prevention of gambling in land and property; expansion of manufacturing industries; construction of 100,000 houses in five years.

It was noticeable that Mr. Nash did not indicate the sources that would provide the millions necessary for the fulfilment of these promises, but he may have had in mind the Reserve Bank, which, if the Labour party became the Government, would again be brought under the authority of the Minister of Finance.

National Victory

THE election held on September 1 resulted in a considerable increase in the majority of the National party. The following table gives the comparative figures for the last four elections:

	<i>Labour</i>		<i>National</i>		<i>Other</i>		<i>Voting</i>
	<i>Votes</i>	<i>Seats</i>	<i>Votes</i>	<i>Seats</i>	<i>Votes</i>	<i>Seats</i>	
1943	438,919	45	397,889	34	96,020	1	82·82*
1946	536,798	42	507,043	38	3,070	0	93·46
1949	506,073	34	556,805	46	10,182	0	93·54
1951	490,143	30	557,623	50	2,018	0	89·08

* Note: Votes of service men not included.

It will be noted that since 1946 the votes cast for Labour have been fewer, and since 1943 the votes cast for the National party have increased. In all recent elections the four Maori seats have been held by Labour. Four City

seats were contested by declared adherents of the Communist party, but, as the table shows, the votes cast for these candidates and a few independents were not many.

Features which are deserving of emphasis in this last election may be summarized by stating: (a) even though the total roll strength was some 60,000 greater than in 1949, the number who voted dropped from 1,080,543 to 1,074,083, indicating that some of those who formerly voted for Labour refrained from voting at this election; (b) the National party did not lose a single seat in 1951 but gained 4 seats from Labour and thus increased its majority in the House from 12 to 20; (c) two of the seats won were previously held by ex-Ministers of the Labour Cabinet—Mr. F. Jones (Defence) and Mr. T. B. McCombs (Education); (d) the individual majorities gained by National members, with few exceptions, showed considerable increases over 1949 totals, whilst those of Labour members, also with few exceptions, showed considerable decreases; (e) on election night no fewer than 7 seats classed as "marginal" were in doubt until absentee votes—including 5,089 overseas postal votes and 1,724 service men's votes, were counted. Of these 7 the National party retained 3 and won 3, Labour holding the remaining 1.

It is perhaps natural that there should have been more feeling in this election, and the short campaign of four weeks was unfortunately marred by some rowdyism at election meetings. Mr. Sullivan, Minister of Labour, was specifically made a target for these tactics, and when he opened his campaign in Wellington he was subjected to an intense sustained barrage, which he finally overcame by patience and determination.

Opening of Parliament

AS the Legislative Council no longer existed it was necessary to modify the ceremonies in connexion with the opening of the new Parliament. On September 25 the thirtieth Parliament was formally opened by a commission of three Judges of the Supreme Court. The ceremony was brief but dignified, and the House then proceeded to re-elect Mr. M. H. Oram as Speaker and to swear members in. On the following day the session was opened ceremonially with a Speech from the Throne by His Excellency the Governor General (Lord Freyberg, V.C.) which indicated the legislation the Government proposed to introduce in what would be a short session. But the speech, and the budget that is to appear shortly, lack interest, since the important announcements have already been made during the election. This session the Government proposes to redeem its election promises, to make taxation concessions, to increase social-security benefits and pensions and to pass legislation that will prohibit picketing and curb sedition and subversive activities.

Wool

AFTER a break of five months, due to the industrial upheaval, the suspended wool auction sales were resumed in mid-August. Growers were prepared for a fall in the extraordinary prices ruling at the February sales, but they felt keen disappointment at the extent of the drop, which ranged from

65 to 70 per cent. Actually prices crashed from 115*d.* per lb. to 42 to 56*d.* per lb. for medium crossbreds, and from 58 to 63*d.* per lb. for fine crossbreds. The realizations in August were, however, about 10 per cent above the average price per lb. of the 1949-50 clip. The growers were surprised not only at the downward trend in the bids but at the apparent lack of enthusiasm of the buyers. Many lots were withdrawn in August which in February were eagerly sought at record levels. The prospect for the profitable disposal of the approaching new season's wool, 1951-52, appeared to be gloomy and disheartening, and farmers faced with heavier costs strongly supported the re-establishment of a stabilization scheme to prevent prices from going below production costs. A dramatic change, however, took place in later sales held towards the end of September and the beginning of October, following news of keen competition in London, South Africa and Australia. Compared with August prices, realized at Auckland, the October London prices were up 20 per cent. Since August the value of wool at various sales held in the Dominion has hardened. The spectacular rebound in prices, in so short a time, has been received with gratification, but growers and all those concerned in the industry would greatly prefer a steady market, yielding reasonable rates of profit. The shearing of New Zealand's great flocks of sheep for the 1951-52 season will soon reach its peak, and the maintenance of present prices will make certain the continuance of our buoyant national economy. The causes of this welcome change in the local and world outlook may be attributed to the entry of United States buyers, the probability of Japan's taking a similar course, the forecast of a smaller clip in Australia, and the undoubted demand for woollen materials in England, U.S.A. and the Continent.

The Joint Organization, commonly called the "J.O.", which was set up to handle the war-time surplus stocks of wool from Australia, South Africa and New Zealand, gave satisfaction to the countries concerned by regulating the market (buying in and releasing surpluses as circumstances required) and so preventing prices from going below production costs. This plan so satisfied New Zealand producers that they are considering proposals for an organization with a similar purpose, for the Dominion had made a profit of approximately £25 million on the surplus war-time stock and wool. The long history of wool prices in the Dominion reveals, on the part of producers and Government, a plan to prevent devastating losses in periods of depression. Farmers painfully recall the staggering losses in the years 1929-32, when medium crossbred wools were realizing 4*d.* or 5*d.* per lb., and the consequent disinclination of farmers to increase their flocks. The very satisfactory prices for wool, lamb and mutton during the last eight years have led to an increase in the number of sheep in the Dominion from 29 million to 35 million. But the cost of producing wool is increasing steadily.

Fertilizers

THE whole economy of New Zealand is bound up with the use of superphosphate, the manufacture of which is in this Dominion dependent on imported high-grade sulphur from the only available source—the U.S.A.

Unlike many European countries the superphosphate factories in this Dominion are planned solely for treating phosphatic rock with sulphuric acid, and any scarcity of sulphur cannot be supplemented by manufacturing superphosphate from pyrites, of which this country has neither stocks nor factories capable of processing it. When the Sulphur Committee, set up by the International Materials Conference in Washington, U.S.A., indicated that supplies would fall short of requirements in 1951, this country was immediately seriously concerned, for the superphosphate, which carries 90 per cent of our fertilizer sales, requires 70,000 tons of high-grade sulphur to produce the 650,000 tons of superphosphates the Dominion uses annually, *plus* approximately 150,000 tons of imported basic slag and rock phosphates.

Considerable expense would need to be incurred in new burners to enable acid factories to treat pyrites, and even then we have no assurance that sufficient pyrites could be obtained. Neither are we able to treat phosphate rock with high furnace heats, since we have not sufficient electricity or coal. The immediate position is not so serious as the outlook for succeeding years, for the available stocks on hand are considered almost adequate for the forthcoming season. Exports of meat, dairy produce, hides and, in a large measure, wool are dependent on fertilizers, for this country after fifty years of intense cultivation of the arable areas must replace yearly the phosphates, potash and nitrogen removed in stock and crops. The Government arranged for Dr. G. L. Bridger, head of the chemical and engineering department of Iowa State University, to visit the Dominion and report on the latest developments and alternative means of manufacturing superphosphate. According to Dr. Bridger, world supplies of sulphur have been estimated to last not more than fifteen years, but additional sources have since been announced. Dr. U. U. Burns, Director of the Fertilizer Manufacturers Research Association, contends that on account of the leaching through heavy rainfall and the continuance in New Zealand of pastoral farming all the year round, which make heavy demands on soil phosphates, our farmers are compelled to use a far greater proportion of phosphatic manure in the total amount of their fertilizers than farmers of any other country.

Considerable interest is being taken by hill-country farmers in aerial top-dressing, which is being undertaken by eighteen operating companies. Four million acres are suitable for treatment, and it is contended by Dr. Burns that in the interests of conservation there is a good case for treating a further nine million acres. Aerial top-dressing of fertilizer and aerial seed sowing will undoubtedly increase the capacity of the Dominion to carry sheep and cattle, which has recently been stimulated by the high prices ruling for wool and meat.

The Japanese Peace Treaty

ON September 5 the Peace Treaty with Japan was signed in San Francisco by forty-nine countries. Discussions concerning the terms of the treaty had been carried on for many months with the countries involved, for on the one hand the United States with its heavy responsibilities in the Far East was anxious that the treaty should not leave Japan defenceless, but on the other hand some countries, including Australia and New Zealand, were equally

anxious that there should be no possibility of their having to face Japanese aggression alone. Speaking in Parliament on the proposed Security Treaty, the Minister of External Affairs (Mr. F. W. Doidge) said "The conclusion of a Treaty of this kind was discussed in connexion with a Japanese peace settlement in which New Zealand's primary concern is to guard against any resurgence of Japanese militarism. We could not contemplate with equanimity a situation in which Japan might be enabled to embark on policies of aggression which would bring disaster to our people." For New Zealand, therefore, the Treaty of Peace with Japan and the Security Treaty are closely related. While the former restores to the Japanese the right to develop forces to defend themselves, restricted in some measure by the special authority that the United States retains, the latter provides that New Zealand and Australia are given guarantees of assistance by the United States, for Article IV of the Security Treaty affirms that "Each party recognizes that an armed attack in the Pacific area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes". Well might Sir Carl Berendsen (N.Z. Ambassador to the United States) say of the Japanese Treaty: "It is a grave, a great and noble experiment in humanity we make; we make it in good faith in the hope that good faith will in turn evoke good faith." But it is not blind faith. The treaty enables the United States to retain military forces and bases in Japan, which helps to consolidate the defences in the perimeter of the Free World in the Pacific and South East Asia.* And the security pacts the United States has made with other Powers in the Pacific ensure that a high measure of collective security has been gained.

New Zealand,
November 1951.

* *Evening Post*, Wellington, September 10, 1951.

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